



Office of the
Auditor General
City of Ottawa

SEMI-ANNUAL REPORT ON FOLLOW-UP PROCEDURES

JUNE 2023

ACKNOWLEDGEMENT

June 9, 2023



Mayor, Members of Audit Committee and Council,

I am pleased to present this report on follow-up procedures carried out by the Office of the Auditor General of the City of Ottawa. The report provides an update on the status of actions taken by management to address issues raised in past engagements and the Office of the Auditor General's assessment of these actions to date.

We wish to express our appreciation for the cooperation and assistance afforded to audit staff by management.

Respectfully,

A handwritten signature in blue ink that reads "N. Gougeon". The signature is written in a cursive, flowing style.

Nathalie Gougeon, CPA, CA, CIA, CRMA,
B.Comm.
Auditor General

Table of Contents

01	<u>Background</u>	1
02	<u>Follow-up Process</u>	1
03	<u>Overall View</u>	2
04	<u>Current Focus</u>	3
05	<u>OAG Results (Audited)</u>	3
06	<u>Management Status (Unaudited)</u>	4
07	<u>High Risk Areas</u>	5
08	<u>Conclusion</u>	6



1. Background

The International Standards for the Professional Practice of Internal Auditing and the Office of the Auditor General’s (OAG) Audit Charter, requires the Auditor General to “follow up on engagement findings and corrective actions, and report periodically to the Audit Committee concerning any corrective actions not effectively implemented”.

The OAG provides a semi-annual report to the Audit Committee and City Council on the results of follow-up procedures performed on previously issued recommendations that have come due, and further highlight areas of significant risk that are still outstanding that warrant further attention by the City’s administration. We last presented a report on follow-ups procedures to Audit Committee in June 2022. Due to the election in the fall of 2022, we paused our reporting cycle for this report. We will now be resuming our regular semi-annual reporting.

2. Follow-up Process

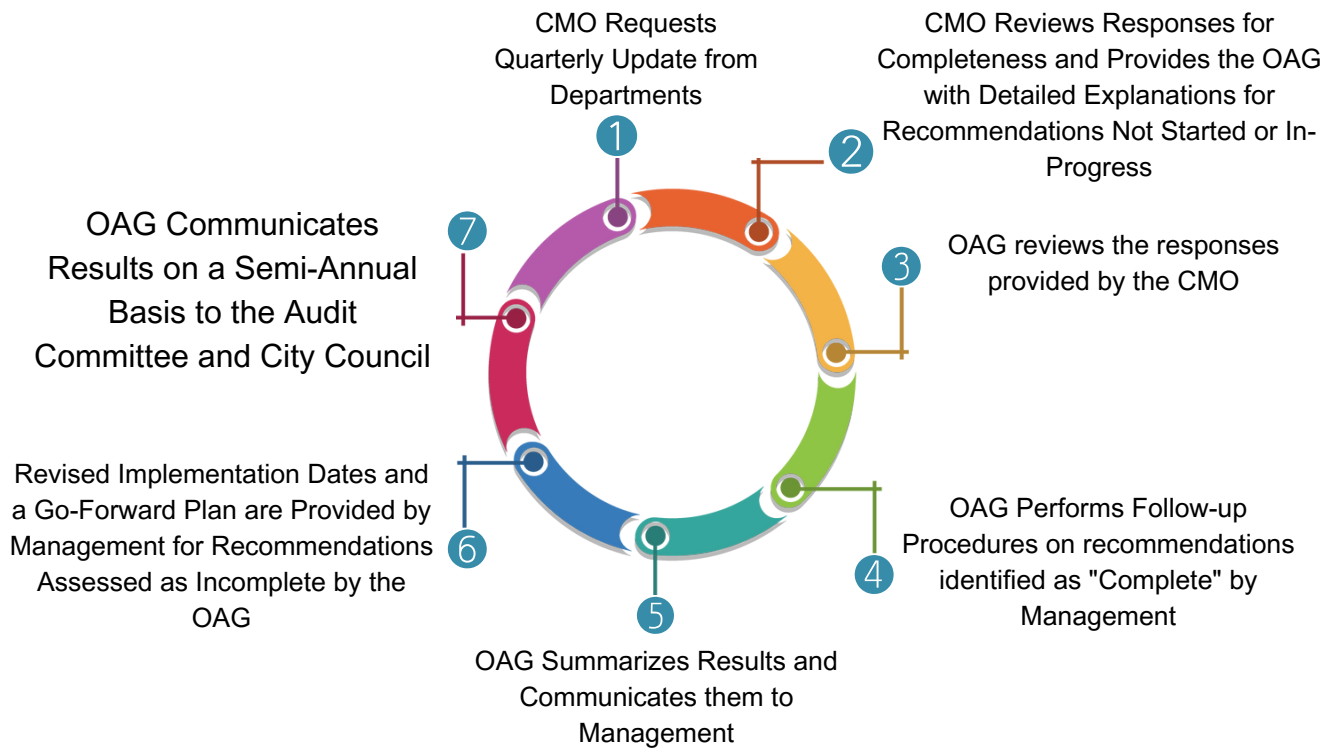
On a quarterly basis, the City Manager’s Office (CMO) obtains an update from each department on the status of the outstanding recommendations within their purview. The CMO then reviews the status and provides an update to the OAG. Once a recommendation is assessed as complete by management, the OAG performs inquiry of management to confirm the steps taken to implement the recommendations and may perform further tests to support our conclusions. Once our review is performed, we communicate our findings and next steps^[1](if any) to management.

If a recommendation is assessed by the OAG as requiring further action from management, the OAG provides a rationale for the assessment and recommended/expected next steps. Management then provides a revised implementation date based on those next steps. The results of these procedures, with areas of high risk highlighted, are then included in our semi-annual status report, and communicated to the Audit Committee and City Council. Refer to Exhibit 1 below for a depiction of the follow-up process flow.

[1] Next steps may include requiring further action from management, additional follow-up procedures to be performed by the OAG, or assessing the remaining risk as low and closing the recommendation.



Exhibit 1 – Follow-Up Process



3. Overall View

Exhibit 2 below, depicts the overall results for all 412 recommendations issued by the OAG since 2018. This includes recommendations that we have assessed in this report, in previous follow-up reports, and those yet to be assessed.

The OAG has assessed 226 of these 412 recommendations:

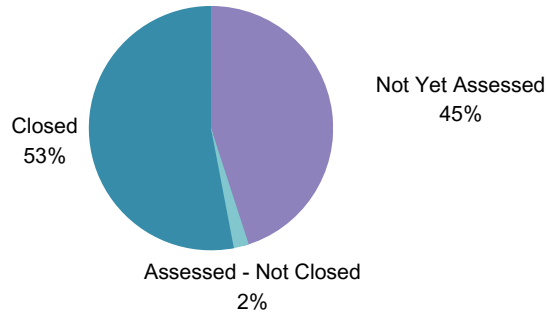
- 216 (53%) have been closed; and
- 10 (2%) have been assessed as partially completed and requiring further follow-up. As a result, these recommendations are now past due.

The OAG has yet to review 186 (45%) of the total recommendations issued since 2018.^[2]

^[2] There are two recommendations from 2015 that are still outstanding (Audit of IT Security Incident Handling and Response, in camera), and there is one recommendation from 2016 that is still outstanding (Audit of Environmental Services Department).



Exhibit 2 – Overall Status of 412 Recommendations Issued Since 2018



4. Current Focus

As there are still a number of unassessed recommendations requiring review by the OAG, we are focusing our attention on those recommendations that have been identified by management as being fully actioned. We will continue to do so until the backlog of unassessed recommendations has been reduced. This will ensure effective and efficient deployment of both OAG and City staff resources.

5. OAG Results (Audited)

Exhibit 3 below depicts the results of the work performed by the OAG since we last reported to the Audit Committee in June 2022.

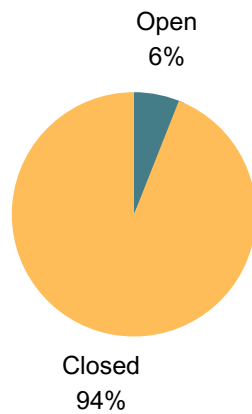
The OAG reviewed 86 recommendations during this period. Of these 86 recommendations:

- 81 recommendations (94%) were closed^[3]; and
- the remaining 5 recommendations (6%) continue to be in an open status, as further follow-up by the OAG is required.

^[3] Recommendations that are closed may include ones that have been fully actioned by management and/or recommendations that are not fully implemented where the remaining risk is considered to be low and does not warrant further follow-up by the OAG.



Exhibit 3 – OAG Status of 85 Recommendations Reviewed

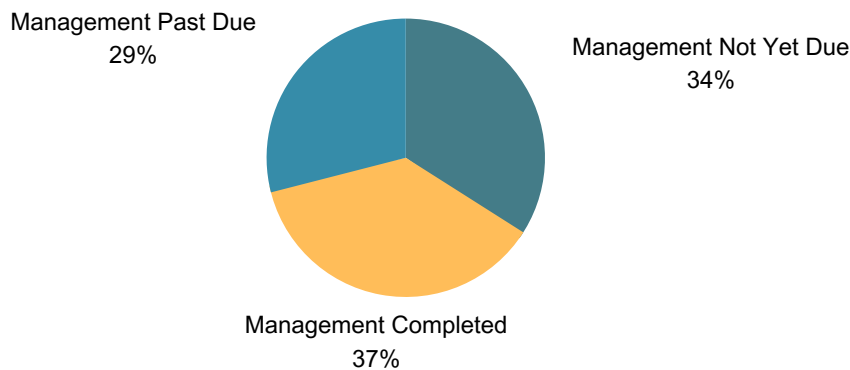


6. Management Status (Unaudited)

Of the recommendations not yet assessed by the OAG, 170 are being addressed by management. In addition, one recommendation is being addressed by the Ottawa Community Housing Corporation, 10 by the Ottawa Police Services Board and four by the Ottawa Police Service. There is also one recommendation issued within the Audit of Enterprise Risk Management (2022) for which our Office has taken responsibility.^[4]

Management is reporting the following status as of December 31, 2022: 37% (62) completed, 29% (50) past due, and 34% (58) not yet due. Please note these results are unaudited. Refer to Exhibit 4 below for further details on management’s attested status and section 7, “High Risk Areas” below for information about past due recommendations.

Exhibit 4 – Management Attested Status (Not yet assessed by the OAG)



^[4] This recommendation relates to the development and delivery of risk management awareness training to Council and is dependent on management completing after recommendations from this report.



7. High Risk Areas

Since our last report to the Audit Committee (June 2022), we have identified areas of significant risk that we believe warrant further attention of the Audit Committee.

We issued six recommendations within the Cybersecurity Investigation tabled in camera in June 2022. Management committed to complete five of these recommendations by the end of 2022. Based on updates received from management, work is underway to address the recommendations, however only one of the six recommendations is nearing completion. As these recommendations are intended to address cybersecurity risks pertaining to a City-owned asset, our Office will closely monitor their completion.

The recommendations issued within the audits and investigation listed below are significantly behind schedule and have not been fully implemented in accordance with Management's committed timelines (refer to Exhibit 5). In many cases, these had a committed completion date from 2019 to 2021. However, in some cases, interdependencies exist which have prevented their completion and management has proposed a revised target date. These items are being monitored by our Office to ensure they are completed as soon as possible for application of our follow-up procedures or reviewed for their relevance.

Exhibit 5 – Recommendations Under Observation

Engagement	# of Recs. Past Due
Corporate Security (2019)	7
City Estimates (2019)	5
Cybersecurity Investigation (2022)	5
Public Works and Environmental Services Department – Frozen Services and Hydrant Management and Maintenance (2019)	3
Ottawa Fire Services – Fire Suppression (2019)	3
Public Works and Environmental Services Department – Contract Management (2019)	2
Meridian Theatres @ CentrepoinTE and Shenkman Arts Centre (2020)	2



Conclusion

Our engagements are designed to improve management practices, enhance operational efficiency, identify possible savings, and address a number of specific issues. Follow-up procedures are designed to evaluate management's progress on the implementation of recommendations from our reports. This report is not intended to provide an assessment of each individual recommendation. Rather, it presents our overall evaluation of progress made to date across all completed engagements.

While we have given management flexibility in the past because of the pandemic, we feel there are outstanding recommendations that are of higher risk which have not been completed to date. We have and continue to work with management to focus on those recommendations to ensure appropriate resolution in a timely manner.

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