

**Report to/Rapport au :**

**Audit Sub-Committee  
Sous-comité de la vérification**

and / et

**Finance and Economic Development Committee  
Comité des finances et du développement économique**

and Council / et au Conseil

**September 6, 2012  
Le 6 septembre 2012**

**Submitted by/Soumis par : *Alain Lalonde, Auditor General/Vérificateur général***

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CITY WIDE / À L'ÉCHELLE DE LA VILLE

Ref N°: ACS2012-OAG BVG-0002

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**SUBJECT: OFFICE OF THE AUDITOR GENERAL (OAG) – 2013 WORK PLAN,  
BY-LAW AND PROTOCOL AMENDMENTS AND SUCCESSION  
PLAN**

**OBJET : BUREAU DU VÉRIFICATEUR GÉNÉRAL (BVG) – PLAN DE  
TRAVAIL POUR 2013, MODIFICATIONS AU RÈGLEMENT  
MUNICIPAL ET AU PROTOCOLE ET PLAN DE RELÈVE**

**REPORT RECOMMENDATION**

That the Audit Sub-Committee recommend that the Finance and Economic Development Committee recommend Council approve the 2013 OAG's Work Plan and the amendments to the Audit Protocol and receive this report.

**RECOMMANDATION DU RAPPORT**

Que le Sous-comité de la vérification recommande que le Comité des finances et du développement économique recommande à son tour au Conseil municipal d'approuver le Plan de travail du BVG pour 2013 ainsi que les modifications au Protocole de vérification, et de prendre connaissance du présent rapport.

**BACKGROUND**

As per Council direction, the OAG 2013 Work Plan is to be presented annually for Council approval. In addition, arising from the recently completed Quality Assurance

Review (QAR), amendments were required to the By-law governing the OAG and the City's Audit Protocol. Finally, as 2013 represents the final year of the current Auditor General's (AG) mandate, a succession plan is needed to ensure a proper transition to a new AG.

## DISCUSSION

The methodology used to develop annual audit plans includes the following key steps:

- Meetings with Councillors and Senior Managers;
- Review of budget documentation;
- Review of former audits conducted at the City;
- Review of audit plans from other municipalities;
- Input from Auditor General's staff;
- Meetings with external auditors and review of management letters; and,
- Assessment of programs and services against selection criteria and risk analysis.

Several specific selection criteria were used to identify potential projects and select the audits outlined in the plan, including:

- Program/Service has direct impact on citizens;
- Risk/Impact of service disruption on public safety, convenience, financial exposure;
- Discussions with Council, Senior Management;
- Budget size (including number of staff);
- Last time audited; and,
- Fraud and Waste Hotline reports received.

## 2013 Work Plan

The proposed 2013 audits are:

### **1. Fleet Services – NAPA Contract**

- Several Hotline reports have been received raising concerns regarding this contract
- City of Toronto has received similar complaints and is considering pursuing the matter further
- Audit will examine compliance to the contract terms and conditions, value-for-money and potential savings

### **2. Ethics**

- Per adopted audit standard 2110.A1 – The audit activity must evaluate the design, implementation, and effectiveness of the City's ethics-related objectives, programs, and activities
- Audit will include an examination of all policies related to employee conduct including the disclosure of information, the Code of Conduct, Responsible Computing Policy, etc.
- Council's members will not be included in this audit

### **3. IT Governance**

- Per adopted audit standard 2110.A2 – The audit activity must assess whether the information technology governance of the City supports the City’s strategies and objectives
- Audit was requested by Councillor Tierney and will include an examination of potential savings

### **4. OC Transpo Business Strategic Planning Processes**

- Adequacy of management’s processes in determining business strategies
- Audit was requested by Councillor Blais prior to the change in leadership at OC Transpo and will include an examination of potential savings
- Will include a review of three specific planning processes, i.e., fleet, facility utilization and the planning process for cancelling bus trips (identified from Councillor Egli)

### **5. Service Excellence Program**

- Audit will examine progress in achieving program objectives and savings, resources allocated, budget/expenditures, management of the program, value-for money and potential for savings
- Consultant costs compared to the product received
- Impacts / results on City’s operations

### **6. One audit arising from the Environmental Risk Assessment currently underway**

- Adopted standards required the completion of a risk assessment
- As identified in the risk assessment, an audit will be undertaken in an area viewed to be of highest risk
- Audit will include an examination of value-for money and potential for savings

### **7. Follow-up of 2011 audits, including:**

- a) Audit of the Management of Vacant Positions;
- b) Audit of Corporate Communications;
- c) Audit of Procurement Practices;
- d) Audit of Performance Measurement;
- e) Audit of Occupational Health and Safety;
- f) Audit of the Human Resources Master Plan;
- g) Audit of the Grants Program;
- h) Audit of Budgeting for Growth Funding;
- i) Audit of OC Transpo Scheduling Process for Bus Operators; and,
- j) Audit of OC Transpo Communication of Cancelled Bus Trips.

### **Audit Protocol Amendments**

In response to the QAR recommendations and Audit Sub-Committee direction, two changes to the City’s Audit Protocol are required. It is recommended that the timelines for management’s response to various audit deliverables be as follows (these timelines are consistent with the current protocol):

Audit Plan	Three Weeks
Draft Audit Report	Four Weeks
Final Management Responses	Five Weeks

In addition, the City Clerk and Solicitor's responsibilities will be clearly articulated in the Protocol. These responsibilities are to review all draft audit reports to identify any potential legal and or MFIPPA issues requiring attention. Document 1 attached contains the full revised Audit Protocol.

### **By-law Amendments**

As a result of the QAR, the By-law (No. 2009-323) governing the OAG requires some minor modifications. The OAG will discuss these changes with the City Clerk and Solicitor who will be presenting the revised By-law for Council approval later this year.

### **Auditor General Succession**

The term of the current Auditor General is scheduled to end on December 31, 2013. As such, there is a need to begin the process to select a new AG during 2013. The tabling of the 2012 Annual Report will be in November of 2013 and therefore within the current AG's term. Work on the 2013 plan will begin in the fall of 2012 under the current AG but will not be tabled during his term.

### **RURAL IMPLICATIONS**

There are no rural implications associated with this report.

### **PUBLIC CONSULTATION**

As this is considered an internal administrative matter, no public consultation was undertaken.

### **COMMENTS BY THE WARD COUNCILLOR(S)**

This is a city-wide issue.

### **LEGAL IMPLICATIONS**

There are no legal impediments to approving the recommendation in this report.

### **RISK MANAGEMENT IMPLICATIONS**

There are no risk management implications associated with this report.

### **FINANCIAL IMPLICATIONS**

There are no financial implications associated with approval of the report recommendation.

ACCESSIBILITY IMPACTS

There are no accessibility impacts associated with this report.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications associated with this report.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

CITY STRATEGIC PLAN

There are no impacts to the City Strategic Plan.

SUPPORTING DOCUMENTATION

[Document 1 – City Audit Protocol](#)

DISPOSITION

The OAG will proceed according to the direction of the Sub-Committee in considering this report.

<b>TITLE:</b>	<b>CITY AUDIT PROTOCOL</b>		
<b>ORIGINATING DEPARTMENT:</b>	City Manager's Office (CMO) and Office of the Auditor General (OAG)		
<b>ORIGINATING BRANCH:</b>			
<b>AUTHORITY:</b>	<b>City Manager and Auditor General</b>		
<b>EFFECTIVE DATE:</b>	<b>August 8, 2007</b>	<b>LAST REVISION:</b>	<b>July 2012</b>

### **OAG GENERAL RESPONSIBILITIES**

- Provide Audit Plans on a timely basis with sufficient information to allow the City Manager, Department Head<sup>1</sup>, Audit Prime, and staff in the area involved, to understand the scope of the audit and how it will be conducted.  
Audit Plan includes the following:
  - Background
  - Audit Scope – specific areas/subjects to be covered
  - Objectives
  - Criteria
  - Approach and work plan including process steps and identified deadlines (most importantly for official communications components)
  - Main audit steps and a preliminary interview list
  - Audit project team.
- Ensure the OAG's Deputy Auditor General responsible for the audit responds to concerns or issues that are raised.
- Manage audit staff and consultants working on the audit to ensure that information requests are coordinated, appropriate staff are contacted for interviews and demands on staff time are minimized.
- Inform the Audit Prime, of any significant changes to the Audit Plan, such as change to scope, objectives, criteria, approach, work plan and timelines. Issue a revised Audit Plan to the City Manager, Department Head and Audit Prime.
- Hold a kick-off meeting with the Audit Prime and appropriate staff when initiating the audit to set expectations and make introductions.
- Discuss preliminary audit observations and provide periodic updates on the status of the audit to the Audit Prime.
- Ensure that the area being audited has sufficient time to respond to the audit recommendations and that management responses are included in the final report.
- Co-ordinate with French Language Services the translation of the management responses.
- Communicate minor issues to management of the area being audited via a management letter.
- Inform the Audit Prime of any significant changes to the draft audit report before tabling.

<sup>1</sup> Department Head refers to Deputy City Manager, City Clerk and Solicitor or City Treasurer

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### **DEPARTMENT HEAD RESPONSIBILITIES**

- Confirm the Audit Prime (usually the General Manager or Director) as identified by the OAG, or discuss and determine alternate. The City Manager will name the Audit Prime for audits of a corporate nature.
- Work with the Audit Prime, management staff and the OAG to negotiate any changes and resolve issues by management during the audit process.
- Receive preliminary audit observations and periodic updates on the status of the audit from the Audit Prime, and provide status updates to the City Manager.
- Ensure that any concerns about the audit are communicated to the OAG through the Audit Prime.
- Review and approve management comments/responses to Audit Plans and Audit Reports prepared by the Audit Prime before submission to the City Manager prior to transmitting to the OAG.
- Ensure the Audit Prime fulfills their responsibilities as noted below.

### **AUDIT PRIME<sup>2</sup> / DEPARTMENT MANAGEMENT RESPONSIBILITIES**

- Review, co-ordinate and comment on the draft Audit Plan and co-ordinate department input into the draft Audit Plan, for review by the Department Head and submission to the City Manager to transmit to the OAG. Work with the OAG's Deputy Auditor General to resolve areas of concern.
- Using the Audit Plan, ensure department staff likely to be involved or interviewed, have sufficient understanding of the audit objectives and scope and context.
- Assist the OAG staff in identifying the most appropriate people to interview to carry out activities identified in the Audit Plan.
- Actively monitor audit status in relation to the Audit Plan. (Note: This is a mutual responsibility and is also captured under the OAG's responsibilities – (bullet no.6)
- Review draft audit reports and draft follow-up audit reports during factual review phase and work with the OAG's Deputy Auditor General to:
  - Identify recommendations that may no longer be applicable or relevant given the passage of time or changed circumstances (example: change in technology or legislation).
  - Find mutually agreeable solutions to recommendations where management initially disagreed and there has not been resolution.
- Update the Department Head and stakeholders periodically on the audit status and on specific audit issues.

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<sup>2</sup> The Audit Prime will be the first point of contact for the OAG, however the Department may attend meetings or be involved in discussions.

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- Assist the OAG in addressing any problems encountered in conducting the audit.
- Communicate any concerns or issues identified by staff of the area being audited to the OAG's Deputy Auditor General.
- Review, co-ordinate and comment on the first draft audit report with respect to accuracy of information and fact verification. Ensure all impacted branches and Department Heads/Directors are consulted and their comments are incorporated. Work with the OAG's Deputy Auditor General to resolve and negotiate areas of concern.
- Review, co-ordinate and provide responses for audit recommendations for review by the Department Head and submission to the City Manager to transmit to the OAG. Work with the OAG's Deputy Auditor General to resolve and negotiate areas of concern.
- Coordinate preparation of updates with respect to audit status tracking (audit recommendation implementation). Monitor follow-up conducted by OAG staff or City Manager.

#### **EXECUTIVE MANAGEMENT COMMITTEE (EMC) RESPONSIBILITIES**

- Provide comment on the overall OAG annual Audit Plan.
- Review the OAG's final audit annual report(s).

#### **City Manager Responsibilities**

- Name the Audit Prime for corporate audits.
- Manage all official correspondence with the OAG.
- Communicate feedback from Department Heads, SMC and EMC and work with the OAG to resolve issues and address concerns.
- Regularly update EMC and SMC on audits.
- Find solutions mutually agreeable to the City Manager and the AG to recommendations where management initially disagreed and there has not been resolution.

#### **City Clerk and Solicitor Responsibilities**

- Review draft audit report for factual review from a legal and MFIPPA perspective.
- Review draft audit report for management responses from a legal and MFIPPA perspective.

#### **French Language Services Responsibilities**

- French Language Services will sign off, on behalf of the Department Head, all translated management responses sent by the Office of the Auditor General.



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### Official Communications

All official communications will be through the City Manager, with a copy to the applicable Department Head, City Clerk and Solicitor and Audit Prime.

Official communications include:

- The OAG Annual Work Plan provided for consideration by EMC once approved by Council.
- Notification letter indicating the commencement of an audit.
- Covering letter and draft Audit Plan.
- Covering letter and updated, final Audit Plan (if applicable).
- Covering letter and draft audit report for factual review.
- Covering letter and draft audit report for management responses.

### Timelines

- The City Manager will review and transmit comments on the draft Audit Plans once received from the Lead Department Head. *Timeline: To be returned to the OAG within three weeks of initial electronic receipt by the CMO.*
- The City Manager will review and transmit comments on the draft Audit Report with respect to the accuracy of information and factual correction once received from the Lead Department Head and City Clerk and Solicitor. *Timeline: To be returned to the OAG within four weeks of initial electronic receipt by the CMO.*
- The City Manager will review and transmit management responses on the draft Audit Report once received from the Lead Department Head and City Clerk and Solicitor. *Timeline: To be returned to the OAG within five weeks of initial electronic receipt by the CMO.*
- Any requests for an extension to these timelines will be made by the City Manager to the OAG.

<b>Audit Documents</b>	<b>Timelines</b>
Audit Plan	Three Weeks
Draft Audit Report	Four Weeks
Final Management Responses	Five Weeks

NOTE: This Protocol may need to be adjusted in the case of audits involving agencies, boards and commissions.