



**Office of the
Auditor General**
City of Ottawa

Semi-Annual Report on Follow-up Procedures



June 2022

Office of the Auditor General

June 14, 2022

Mayor, Members of Audit Committee and Council,

I am pleased to present this report on follow-up audit 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 audits 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,



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

Auditor General

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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”.

In May 2021, City Council approved the “Office of the Auditor General – Audit Recommendation Implementation Update Process – Proposed Modifications” Report (ACS2021-OAG-BVG-0002) brought forward by the OAG. These changes require the OAG to provide a semi-annual report, to the Audit Committee and City Council, on the results of audit 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 to Audit Committee in September 2021 and provided a verbal update to the Audit Committee in February 2022. Items from our verbal update are included in this progress-update.

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 steps¹ (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 audit recommendation 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 – Audit Recommendation Follow-Up Process



3. Overall View

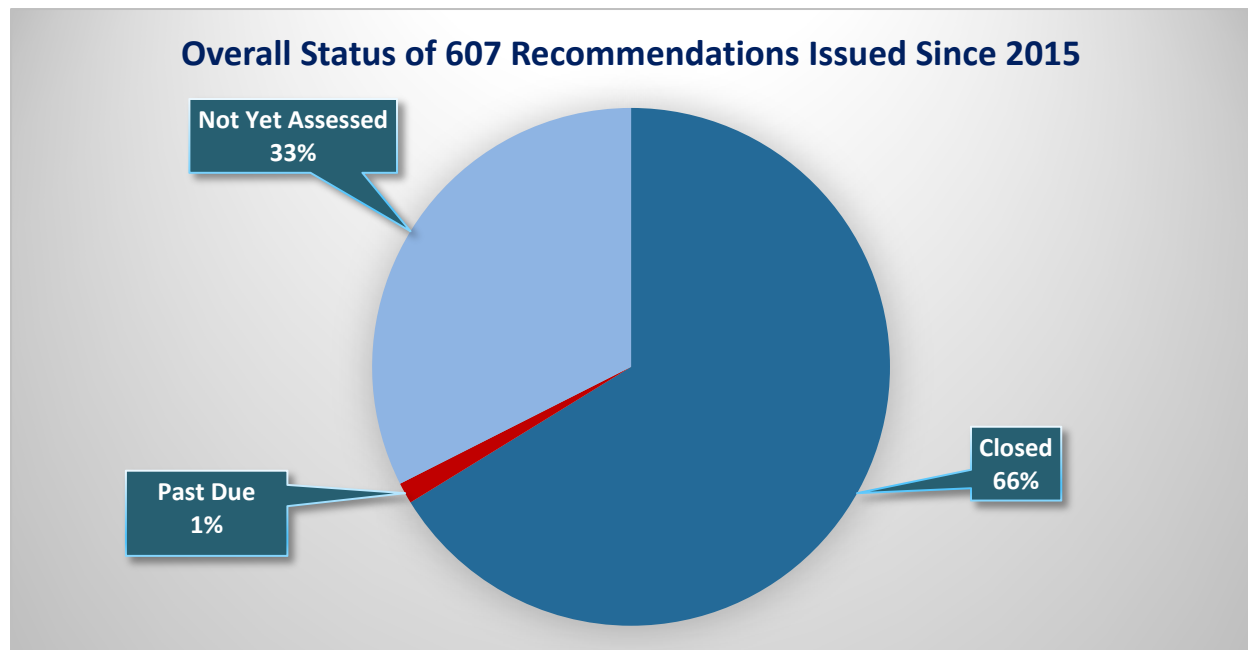
Exhibit 2 below, depicts the overall results for all 607 recommendations issued by the OAG since 2015. This includes recommendations that we have assessed in this report, in previous follow-up reports, and those yet to be assessed.

The OAG has assessed 410 of these 607 recommendations.

- 402 (66%) have been closed; and
- 8 (1%) 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 197 (33%) of the total recommendations issued since 2015.

Exhibit 2 – Overall Status of 607 Recommendations Issued Since 2015



4. Current Focus

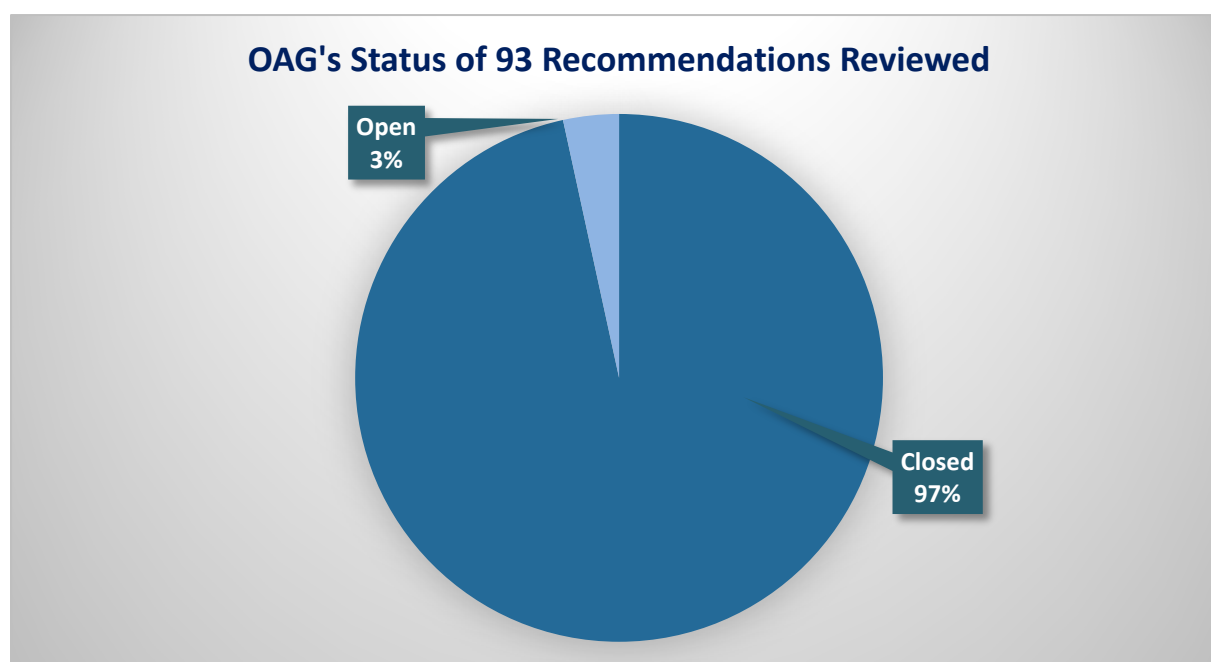
As there are still a number of unassessed recommendations requiring review by the OAG, we are focusing our attention on those recommendations that have been identified by management as being fully actioned. We will continue to do so until the backlog of unassessed recommendations has been reduced. This 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 September 2021. The OAG reviewed 93 recommendations during this period. Of these 93 recommendations:

- 90 recommendations (97%) were closed²; and
- the remaining 3 recommendations (3%) continue to be in an open³ status, as further follow-up by the OAG is warranted.

Exhibit 3 – OAG Status of 93 Recommendations Reviewed



6. Management Status (Unaudited)

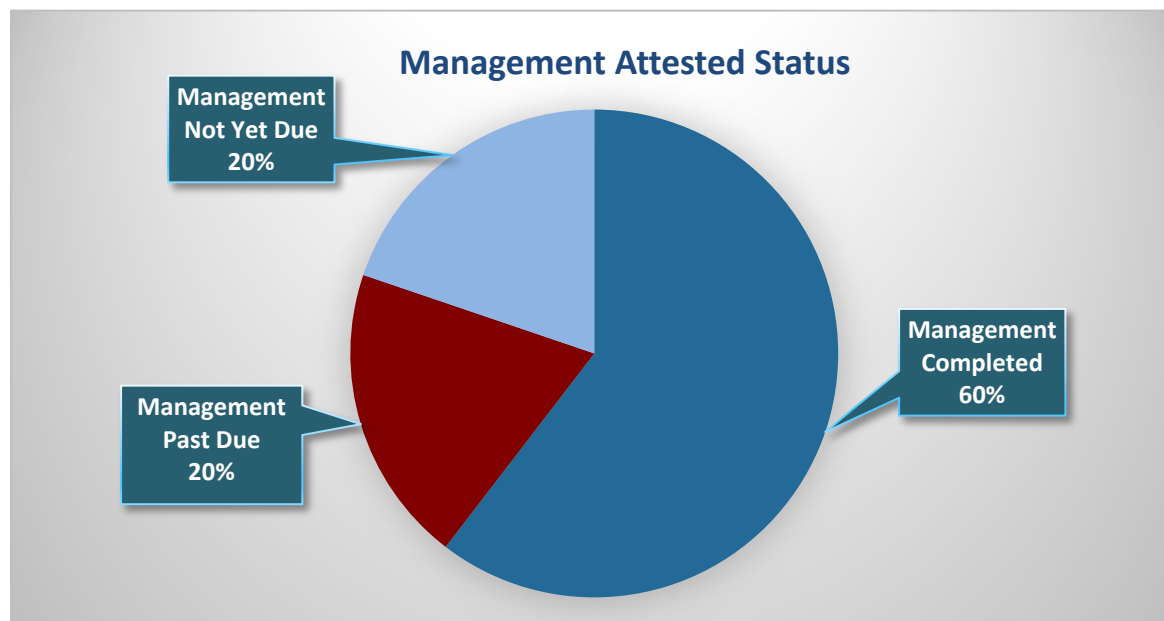
Of the recommendations not yet assessed by the OAG, 187 are being addressed by Management (10 are being addressed by the Ottawa Community Housing Corporation). Management is reporting the following status as of March 31, 2022: 60% (113) completed, 20% (37) past due, and 20% (37) not yet due. Management has also reported that a number of the past due recommendations are attributable to pandemic-

² 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.

³ Recommendations that are open represent recommendations reviewed by the OAG that have not been fully addressed and warrant further follow-up by the OAG.

related delays. Please note these results are unaudited. Refer to Exhibit 4 below for further details.

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



7. High Risk Areas

Since our last report to the Audit Committee (September 2021), there are no significant risk areas that we believe warrant further attention of the Audit Committee. However, for one specific audit, the timelines associated with completing the management actions are being pushed out by a number of years. For the Audit of Facility Management, 7 out of 34 recommendations are expected to be addressed by the development of Service Based Asset Management Plans (ServAMPs). Management has indicated that in order to align to provincial regulations, these recommendations will only be completed by 2024 or 2025 (the original target date for these recommendations were 2023). As presented by Management, a task force has been established to address the recommendations from the audit; however, with the development of the Asset Management Plans, the first priority is addressing the legislative requirements and a level of information gathering and consultation will be required. We understand these ServAMPs are a significant amount of work of which the City has never undertaken before. The risk associated with the delay in completing these plans is that it delays the

full consideration of the City's sustainability goals into the management of the City's assets and could result in maintenance work that will not provide full value-for-money.

In addition, due to recent fraudulent transaction that occurred in April 2022, the OAG will conduct additional follow-up procedures as part of our follow-up of the Investigation into the Transfer of Funds to a Fraudulent Supplier. Results of this testing will be reported in our next update to the Audit Committee in early 2023.

The recommendations issued within the audits listed below are behind schedule and are not aligned for timely implementation in accordance with agreed upon timelines (Refer to Exhibit 5). These items are being monitored by our Office.

Exhibit 5 – Recommendations Under Observation

Audit	# of Recs. Issued	# of Recs. Management Attests are Completed	# of Recs. Not Yet Due	# of Recs. Past Due
Corporate Security (2019)	17	10	0	7
City Estimates (2019)	13	8	1	4

8. Conclusion

Audits 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 the audit 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 audits. Based on the follow-up procedures performed by the OAG and management's attestation of their progress

to date, we believe the overall progress made by management, since our last report, to be acceptable. We will continue to work with management and assess recommendations identified by management as complete in order to provide an on-going picture of the status of outstanding recommendations.

Due to the upcoming municipal election, our next semi-annual report will be presented to the Audit Committee and Council in early 2023.

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