Office of the Auditor General
City of Ottawa

SEMI-ANNUAL REPORT ON FOLLOW-UP PROCEDURES
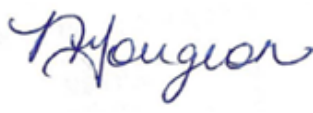
MARCH 2024

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Acknowledgement

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

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 resulting from recommendations that are still outstanding which warrant further attention by the City's administration. We last presented a report on follow-up procedures to the Audit Committee in June 2023 and a verbal update was provided to the Audit Committee in November 2023.

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.

The details of the OAG's follow-up process can be found on our website.

2. Overall View

Exhibit 1 depicts the overall results for all **413 recommendations** issued by the OAG since 2019. This includes recommendations that we have assessed in this report, in previous follow-up reports, and those yet to be assessed.

Exhibit 1 - Overall Status of Recommendations Issued Since 2019

The OAG has assessed 263 (64%) of these 413 recommendations, as follows:

• 255 (62%) have been closed; and
• 8 (2%) have been assessed as partially completed and requiring further follow-up; these recommendations are classified as past due.

The OAG has yet to review 150 (36%) of the total recommendations issued since 2019[1]. Further details on these recommendations are provided in Section 4 below.

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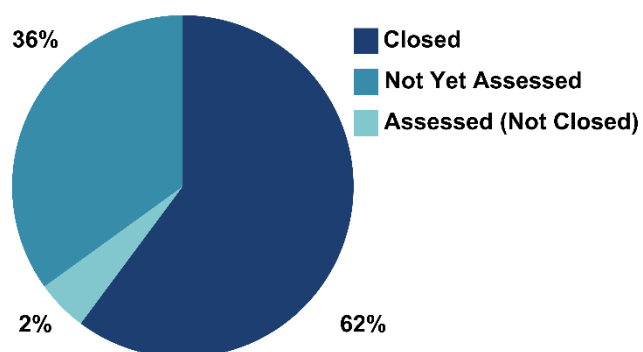
[1] Included in this number are five recommendations, from the Review of the Source Separated Organics Program Business Case and the Audit of Contract Management Practices - Springhill Landfill Site Contract, which are from work conducted before 2019 and have yet to be reviewed by the OAG.

3. OAG Results (Audited)

Exhibit 2 depicts the results of the work performed by the OAG since we last formally reported to the Audit Committee in June 2023.

The OAG reviewed **97 recommendations** during this period. Of these recommendations:

• 95 recommendations (98%) were closed[2]; and

•The remaining 2 recommendations (2%) continue to be in an open status, as further action is required by management to sufficiently address the risk/issue identified.

Exhibit 2 - Overall Status of Recommendations Reviewed
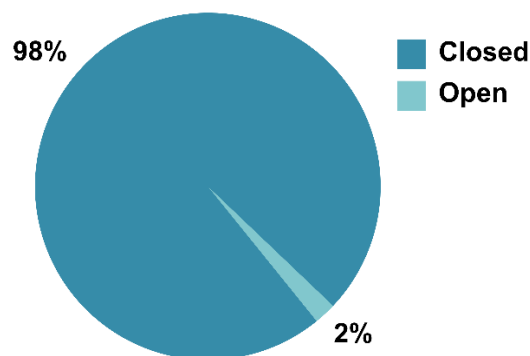
4. Management status (Unaudited)

Of the **150 recommendations** not yet assessed by the OAG:

- 135 recommendations are being addressed by City of Ottawa management;
- 10 recommendations are being addressed by the Ottawa Police Services Board;
- 4 recommendations are being addressed by the Manotick Business Improvement Area; and
- Responsibility for 1 recommendation issued within the Audit of Enterprise Risk Management (2022) has been taken by our Office to action.

Of the **135 recommendations**, management is reporting the following status as of December 31, 2023, also reflected in Exhibit 3:

• 36% (49) are completed and ready for OAG review;

• 29% (39) are past due; and

• 35% (47) are not yet due.

Please note these results are unaudited.

Exhibit 3 – Management Attested Status (Not yet assessed by the OAG)

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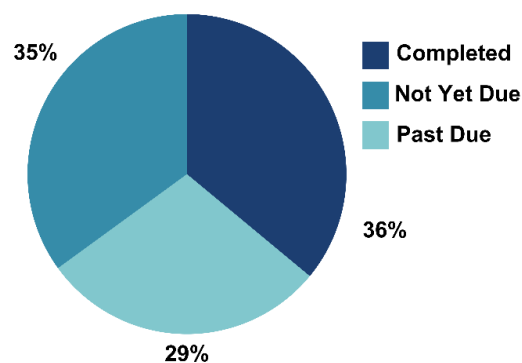
[2] Recommendations that are closed may include ones that have been fully actioned by management and/or recommendations that are not fully implemented where the remaining risk is considered to be low and does not warrant further follow-up by the OAG.

5. Aging of Overdue Recommendations

New this year, and in line with an Audit Committee request, the OAG has prepared an aging table to show the length of time elapsed for each overdue recommendation. This includes 39 unassessed recommendations and 6 previously assessed but deemed 'partially complete' by the OAG, as depicted below in Exhibit 4.

Exhibit 4 – Aging of Overdue Recommendations (as of December 31, 2023)

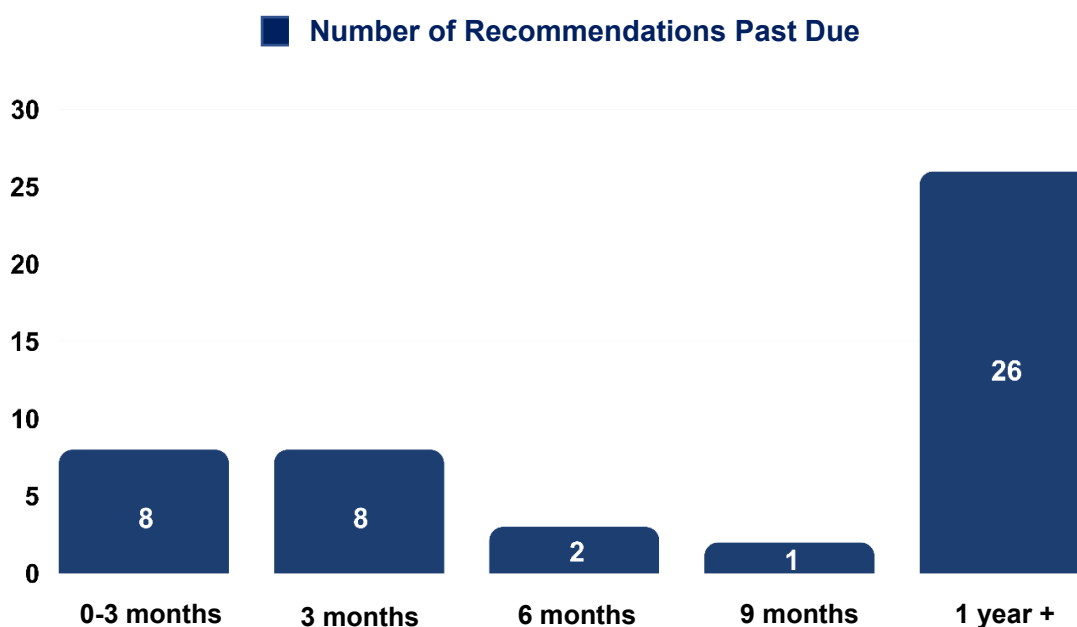**■ Number of Recommendations Past Due**

Exhibit 5 indicates the specific engagements for the recommendations that are past due for one year or longer:

Exhibit 5 – Recommendations Past Due for One Year or Longer

Engagement	# of Recs. Past Due for 1 Year or Longer
Cybersecurity Investigation (2022)	4
Competitive Procurement Process (2021)	1
Fleet Services (2021)	1
Grants and Contributions (2021)	1
By-law and Regulatory Services – By-law Enforcements (2020)	1
Meridian Theatres @ Centrepointe and Shenkman Arts Centre (2020)	1
Review of OC Transpo Driver Training (2020)	3

Engagement	# of Recs. Past Due for 1 Year or Longer
Facility Management (2020)	2
Corporate Security (2019)	7
City Estimates (2019)	5
Total	**26**

The recommendations issued within the audits and investigations listed above are significantly behind schedule and have not been fully implemented in accordance with Management's committed timelines. In many cases, these had a committed completion date from 2019 to 2022. We understand that, 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. Specific recommendations from this category have also been flagged as high-risk in Section 6 below.

6. High Risk Areas

While the section above flags the age of the outstanding recommendations, we have identified areas of significant risk that we believe warrant further attention:

Cybersecurity Investigation - We issued 6 recommendations in this investigation report tabled in camera in June 2022. Management committed to completing these recommendations by the end of 2022. Based on updates received from management, work is still underway to address the recommendations, with only 2 recommendations being completed as of December 2023 and 4 still in progress. The 4 outstanding recommendations are at varying levels of completion but include interdependencies. As these recommendations are intended to address cybersecurity risks pertaining to a City-owned asset, our Office continues to closely monitor their completion.

Audit of Corporate Security - Of the 17 recommendations issued as part of this audit report, tabled in April 2019, 7 recommendations have been past due for longer than one year. For the most part, these remaining recommendations relate to the development of a corporate security framework that is estimated by management to be completed by the end of 2024.

Audit of Facility Management - Of the 34 recommendations issued as part of this audit report, which was tabled in November 2020, 7 were due to be completed by September 2023 and are now past due. These remaining recommendations will only be completed once the Service-based Asset Management Plans (ServAMP) are completed, which is anticipated for 2024 and 2025

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