

2024 ANNUAL REPORT



Office of the
Auditor General
City of Ottawa

Table of Contents

Land Acknowledgement 1

Message from the Auditor General 2

Our Mandate 4

Vision and Values 4

Our Team 5

Our 2024 Reports 6

 2024 Audit Reports 6

 2024 Investigation Reports 8

 2024-2027 Audit Work Plan for the Ottawa Police Service 9

Fraud & Waste Hotline 10

Quality Assurance and Improvement Program 11

Performance Management 12

OAG Ottawa Leadership in the Audit Community 16

Land Acknowledgement

Ottawa is built on unceded Anishinabe Algonquin territory. The peoples of the Anishinabe Algonquin Nation have lived on this territory for millennia. Their culture and presence have nurtured and continue to nurture this place. The Office of the Auditor General honours the people and the land of the Anishinabe Algonquin Nation. The Office of the Auditor General honours all First Nations, Inuit and Métis peoples and their valuable past and present contributions to this land.

Message from the Auditor General



It is with great pleasure that I table the Office of the Auditor General's ("OAG" or "Office") 2024 Annual Report. This report outlines the accomplishments and work carried out by the OAG in 2024.

This past year our Office issued 8 audit and investigation reports. Our audits and investigations continued to bring forth recommendations focused on

improved governance, risk management and control processes in key areas such as affordable housing, climate change, transit, and the Lansdowne 2.0 project.

Our Office experienced many firsts in 2024 including being the recipient of the [2023 Knighton Award](#) for best performance report for our audit on the [City's Response to the Convoy Protest](#). This year, I utilized the powers of summons afforded to me as Auditor General under the [Municipal Act, 2001](#), for the first time in my mandate, to support a significant fraud investigation that led to the termination/resignation of multiple staff members and a police investigation. Our Office also established a three-year audit work plan for the Ottawa Police Services (OPS or the Service). This collaboration is the first of its kind between the OAG and OPS and will allow us to bring forward areas for improvement in a transparent manner to the Service, the Ottawa Police Services Board, and members of the public. Lastly, our Office also undertook a significant review of all of our policies and processes to align with the Institute of Internal Auditors new [Global Internal Audit Standards](#) that came into effect January 9, 2025.

This year, our Office also managed a record number of 328 complaints received through the City's Fraud and Waste Hotline (FWHL), an increase of 16% over 2023. The investigations we conducted as a result of these reports led to the issuance of 2 [investigation reports](#). We also worked with the City Manager to review and update the Fraud and Waste Policy. Through our role in administrating the Fraud and Waste Hotline, we continue to provide a means of ensuring accountability and ethical conduct across the City's administration.

I would like to extend my appreciation to the City Manager and the senior leadership team for their openness and willingness to collaborate through the continuous improvement we are striving to bring to our processes and the City as a whole.

On a final note, I would personally like to thank all the members of my team for their extraordinary contribution to the Office and its success this year. I am very proud of the work we have accomplished together.

Respectfully,



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

Our Mandate

The Auditor General is responsible for assisting City Council in holding itself and City administrators accountable for the quality of stewardship over public funds and for achievement of value for money in City operations. The Auditor General’s Office is independent of management and has the authority to conduct financial (excluding attest), compliance, and performance audits of the following:



- all programs, activities, and functions of all City departments and agencies, and of the offices of the Mayor and Members of Council;
- local boards of the City;
- municipally controlled corporations;
- grant recipients; and,
- any other agencies, boards, commissions, and corporations as Council may from time to time create or identify.

More information surrounding the Auditor General’s position and duties, including statutory powers can be found in the [Auditor General By-Law No. 2021-05](#) as well as our [audit charter](#) on our [website](#).

Vision and Values

VISION: To be recognized as a knowledgeable, collaborative, and respected independent leader in governance, control, and risk management and in building public trust in our municipal government.

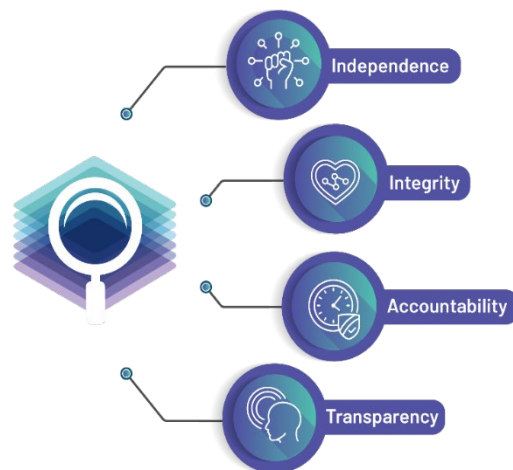
Independence

We carry out our activities without bias and free of influence. The OAG is independent of the City’s administration.

Integrity

We adhere to the City of Ottawa’s *Employee Code of Conduct*, professional codes of ethics and strong ethical principles and values, which allows others to rely on our work and trust our professional judgment and our professional courage.

Our Core Values Include:



Accountability

Our work is performed to assist City Council in holding itself and its administrators accountable for the quality of stewardship over public funds and for the achievement of value for money in municipal operations. We ensure that the information supporting our findings, recommendations and conclusions is adequate.

Transparency

We share information about the OAG's activities, plans, and results with Council, the administration, and members of the public through our website, at the Audit Committee and at Council meetings.

Our Team



From left to right: Rachel Weese, Julia Weber, Atul Arora, Rhea Khanna, Moriah Gibbs, Nathalie Gougeon, Joanne Gorenstein, Mary Anne Patrice Malenab, Cory Richardson, Anna Koldewey and Siam Rahman.

Our team is comprised of three Audit Principals, one Senior Auditor, and four Auditors that are responsible for conducting the audit work and assisting in the triage and investigation of reports received through the Fraud and Waste Hotline. They are supported by our Deputy Auditor General who oversees the audits and investigations conducted by our Office and liaises with members of the senior leadership team. All members of the team, including the Auditor General, are supported by our Administrative and Communications Officer, who manages the day-to-day administration and the Office's communications.

Our 2024 Reports

In 2024, our Office reported on five audits, two investigations, and an audit work plan for the OPS. A summary of each report tabled at the Audit Committee in 2024 can be found below. We also performed follow-up procedures on 50 recommendations.

2024 Audit Reports

Audit of Affordable Housing

The audit aimed to evaluate the City's programs and structures for supporting affordable housing goals as part of the 10-Year Housing and Homelessness Plan, specifically regarding new units. We concluded that:



- The City had not met its affordable housing unit goals in recent years due to funding limitations and capacity challenges in the housing development sector;
- Despite not meeting these targets, the City had structures and programs in place to progress this portfolio; and
- There were opportunities to strengthen and formalize existing structures and improve the tools and reporting to set the City up to create more affordable housing.

We made **9 recommendations**, all of which were accepted by management.

Audit of the Climate Change Master Plan

The objective of this audit was to review whether the City had appropriate plans, strategies, and tools in place to support the achievement of the targets and priority actions outlined in the Climate Change Master Plan. We concluded that:



- The City has to make decisions that will impact the direction, priorities and resources related to this portfolio. More specifically, the audit noted that there was a need for realignment of the Climate Change Master Plan priorities with the current strategic direction to maximize the limited resources available;
- A realistic prioritization of both mitigation and resiliency efforts is required to support the City in meeting its climate change goals; and
- There were opportunities to strengthen accountabilities for the City's climate change commitments and to establish meaningful performance indicators and metrics to measure progress.

We made **7 recommendations**, all of which were accepted by management.

Audit of the Purchasing Card Program



The objective of this audit was to assess whether the City had established policies, processes and controls in place to effectively managing Purchasing Card activities. We concluded that:

- There were established policies and procedures to guide the use of Purchasing Cards, and users generally understand the expectations for their usage; and
- There were some risks associated with the Purchasing Card Policy and Procedures such as the clarity of expectations, roles and responsibilities, training, enforcement and compliance.

We made **6 recommendations**, all of which were accepted by management.

Agile Audit of the Lansdowne 2.0 Redevelopment: Sprint 1

The objective of this audit was to review the financial proposal for the Lansdowne 2.0 Redevelopment Project, which was submitted to City Council in November 2023, along with the financial due diligence that accompanied it. We concluded that:



- All significant financial assumptions embedded in the financial projections were validated by a subject matter expert and were updated to reflect the results of the due diligence activities undertaken by the City.
- Many of the assumptions that supported the financial information were reasonable and were supported by detailed analysis and evidence;
- Given the risks of construction, including delays and rising costs, some estimates may have been overly optimistic. As such, at the time of our audit, construction costs could have been understated by \$74.3 million; and
- Specific assumptions, including those related to the Ottawa Redblacks' revenue growth and overall expense growth, should they not be achieved, could significantly impact potential cash flow distributions from the City's partnership with Ottawa Sports and Entertainment Group.

We made **2 recommendations** which were accepted by management.

Road Renewal Program Value for Money Audit

The objective of this audit was to evaluate whether the City was managing its limited funds for road renewal efficiently and effectively. We concluded that:



- Road renewal (the strategic rehabilitation of road assets) was a well-established program that incorporated many best practices;
- There were opportunities to enhance the integrity of the data used in decision-making, as there were deficiencies in the road network data utilized for prioritizing renewal projects; and
- In some cases, there were opportunities to consider using less expensive asphalt mixes as well as to improve oversight over quality assurance activities.

We made **13 recommendations**, all of which were accepted by management.

2024 Investigation Reports

Investigation of OC Transpo Bus Maintenance



This investigation was initiated due to several reports received through the FWHL regarding OC Transpo's bus maintenance practices. The investigation revealed the need for enhanced controls in OC Transpo's bus maintenance, as failure to address these concerns could result in increased safety risks. The investigation highlighted the following:

- Evidence of supervision by licensed mechanics overseeing apprentices working on critical safety systems was inconsistent;
- There was no standard process in place to ensure that maintenance work outsourced to vendors was completed in accordance with expectations; and
- There were opportunities to enhance the clarity and consistency of process documentation, as well as improving efficiency through better document control.

We made **6 recommendations** which were accepted by management.

Fraud Investigation: Allegations of Kickback Scheme

This investigation was initiated as a result of a report received through the FWHL. The report alleged that a City of Ottawa employee was receiving kickbacks from a group of landlords involved in housing benefit programs administered by the City.

The investigation revealed that a City employee received over \$22,000 in payments from a group of landlords for services they provided as part of their employment with the City. We concluded that these actions, as well as additional issues observed during the investigation, represented breaches of the City of Ottawa's *Employee Code of Conduct*. We also identified gaps in City processes that could have helped to deter, prevent or detect such issues. The matter has since been referred to the OPS.



We made **6 recommendations** which were accepted by management.

2024-2027 Audit Work Plan for the Ottawa Police Service

In October 2023, the OPS approved a motion inviting the Auditor General to conduct a risk assessment of OPS and develop a three-year, independent audit work plan. As a result of an extensive service wide risk assessment, the following areas were proposed and approved for audit in 2024-2027:



- Audit of Staffing
- Audit of Project Management
- Audit of Equity, Diversity and Inclusion

The Audit of Staffing was kicked-off in the fall of 2024 and is progressing through its fieldwork stage.

Themes from Audit/Investigation Recommendations

The assembly of our 2024 Annual Report provides our Office an opportunity to take a step back to identify the themes stemming from the audit and investigation recommendations that we have issued in the last few years. In doing this exercise, the following top themes have been highlighted:

- **Formalization of accountabilities/governance** – Several audit and investigation reports flagged the lack of formalized accountabilities, roles and responsibilities and governance across the City that has led to silos, at times, confusion/tensions and inefficient/ineffective processes. This was highlighted in

recent audits, such as the Audit of the Climate Change Master Plan, the Audit of the Prevention of Workplace Violence and Harassment and the Audit of the Governance of the City's Pandemic Response.

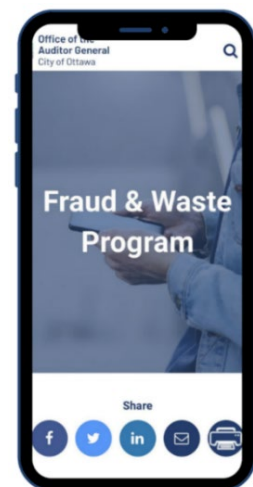
- **Establishment and measurement of metrics, performance and outcomes** – In many audits and investigations, it has been identified that performance metrics and outcomes have either not been formalized to measure whether the program is meeting its objectives or there is a lack of data to enable measurement against established outcomes. This was highlighted in recent reports including the Fraud Investigation: Allegations of Kickback Scheme, the Audit of the Climate Change Master Plan, the Roads Renewal Program Value for Money Audit, and the Audit of Affordable Housing.
- **Creation and update of policies, frameworks, standards and procedures** – Whether they are due to be reviewed or significant changes in the operating environment have resulted in the need for changes, our audits and investigations have identified opportunities to create or review/update specific policies, processes, standards and frameworks. As examples, this was identified in the Audit of the Purchasing Card Program, the Audit of Enterprise Risk Management and the Investigation of OC Transpo Bus Maintenance.

We believe the above noted themes stem largely from the many competing priorities staff have been faced with over recent years as well as the resource constraints that exist. The OAG will continue to monitor trends, themes and recurring issues to identify if larger systemic issues exist within the organization or areas that may warrant future audit work.

Fraud & Waste Hotline

The OAG is responsible for the administration of the City's FWHL, which is available to employees and the public as part of the City's Fraud and Waste Policy. Our Office reviews issues raised through the Hotline and presents the results of reviews and investigations to the Audit Committee and City Council. The 2023 Annual FWHL report was tabled in March 2024. The 2024 Annual FWHL report is being tabled concurrently with this report.

The OAG collaborated with the City Manager, as owner of the Fraud and Waste Policy, to review the Policy and identified areas for improvement. An updated version of the Policy is forthcoming. The Office will also be developing an awareness campaign, in continued



collaboration with the City Manager's Office to inform City employees and residents about the objectives of the program. Further details about the FWHL can be found on our [website](#).

Quality Assurance and Improvement Program

Conformance with the Standards and Independence

The Institute of Internal Auditors (IIA) Global Internal Audit Standards (“the Standards”) require that the Auditor General report to the City’s administration, the Audit Committee and Council regarding the Office’s conformance with the Standards and the IIA Code of Ethics, as well as confirm its independence. Over the past year, the OAG’s staff have complied with the Standards and observed the IIA’s Code of Ethics and the *Employee Code of Conduct* for the City of Ottawa. OAG staff have also applied and upheld the principles of integrity, objectivity, professional courage, confidentiality, and competency, and maintained and confirmed their independence. We continue to implement quality assurance procedures to ensure our compliance is consistently maintained.

In 2024, the IIA Standards underwent significant changes which came into effect January 9, 2025. During the year, we reviewed these changes and identified which OAG policies and processes required modification to remain in conformance with the Standards. This was a substantial undertaking for our Office. All significant changes were communicated to the Audit Committee and respective changes to our audit charter were approved at the November 2024 Audit Committee meeting. We are well on our way to finalizing all required changes, including additional system enhancements, which will be finalized over the first and second quarters of 2025.

Periodic Internal Assessment

The Standards require the Auditor General to ensure the Office conducts an internal assessment that includes both ongoing monitoring and periodic self-assessments. Ongoing monitoring is performed for all OAG engagements and is embedded within our quality assurance procedures through various levels of review.

The OAG also performs periodic self-assessments. These self-assessments are executed by staff that were not working on specific engagements and help us ensure we are meeting the quality requirements established by the Standards. This year we assessed 3 out of 5 audit files closed in 2024. No non-conformances with the Standards were noted, however areas for continuous improvement were identified.

Performance Management

Audit Targets

In November 2023, we presented our 2024-2025 Audit Work Plan with anticipated timelines to the Audit Committee and Council for each proposed audit or project. We have completed and reported on 100% of our audits and projects within the prescribed timeframe based on our approved plan with the exception of the Audit of the Corporate Diversity and Inclusion Plan (CDIP).



Audit of the Corporate Diversity and Inclusion Plan

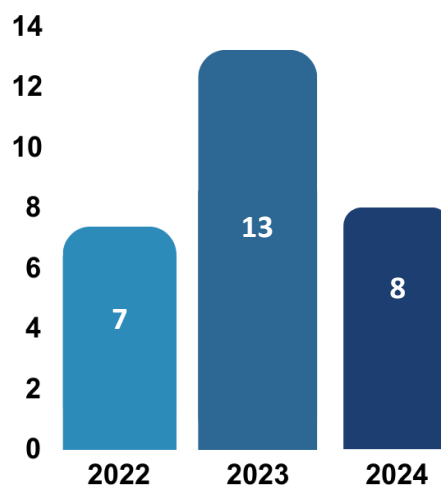
The City recently commissioned an external review of its Corporate Diversity and Inclusion Plan (CDIP). The results of this review were submitted in June 2024 and because of this review, a working group is being established to commence the next iteration of the CDIP and associated strategies. Given the review completed to date and the work being undertaken to further this portfolio, the OAG does not believe an audit would add significant value at this time.

Despite not commencing this audit, the OAG completed multiple additional investigations. Further details about progress against, and modifications to, the 2024-2025 Audit Work Plan can be found in the 2025 Update which is being tabled concurrently with this report.

Number of Reports Issued

In 2024, the Office issued a total of 8 audit and investigation reports tabled in 2024 in comparison to the prior year. 2023 was an exceptional year, including multiple audits related to the convoy protest, two cybersecurity reports, 2 reports issued for the investigation of the Manotick Business Improvement Area and timing delays in reporting from 2022 to 2023 as no fall committee meeting occurred in 2022 due to the municipal elections. For ease of comparison, there was a 14.3% increase in the number of reports issued from 2022 to 2024 (See Figure 1).

Figure 1: Number of Reports Issued by Year (2022 to 2024)



Recommendations

In 2024, we issued **49 recommendations** as a result of the audits and investigations our team conducted. All of the recommendations were accepted by the auditees. This number is significantly lower due to the timing differences explained above, as well as an increased focus on value-added recommendations.

Budget

In 2024, the Office was significantly under budget due to cost savings from staff vacancies. The strategic initiatives surrounding our people will assist us in more effectively utilizing our budget in 2025.

Continuing Education

100% of our audit staff have professional audit certifications, advanced designations, and/or degrees. To maintain good standing with the various associations, staff are required to take professional development training every year to enhance their knowledge, skills and other competencies, including ethics. All staff met their respective requirements in 2024.

2024 Achievements

ALGA Award



The OAG was awarded the [2023 Knighton Award](#) in recognition of our [Audit of the City's Response to the Convoy Protest](#). This award, presented by the Association of Local Government Auditors (ALGA), recognizes the best performance audit report for a medium-sized audit shop among its ALGA peers in North America. This is a significant achievement for the OAG and marks only the second time that an Auditor General's Office in Canada has won the Knighton Award.

What the judges said: *"The audit was unique, highly impactful, and responsive to the public and decision-makers. Looking at the event with the advantage of hindsight allowed the City to gain a better understanding of what happened and prepare for possible future events. The report was written with a well-balanced tone and was inclusive of different perspectives from multiple sources."*

The Mayor, as well as current and prior members of Council, provided the Auditor General and the team with words of appreciation for the audit and congratulatory messages on

their accomplishment. A compilation of these remarks can be seen on [YouTube](#). The Auditor General accepted the Award at the 2024 ALGA Conference.

Staff designations

Over the past year, OAG team members have demonstrated a commitment to their professional development through the pursuit of new certifications and designations. These include:

- Joanne Gorenstein – Certified Fraud Examiner (CFE)
- Rhea Khanna – Certified Internal Auditor (CIA)
- Moriah Gibbs – Certified Internal Auditor (CIA)
- Rachel Weese – Internal Audit Practitioner (IAP)

Audit Surveys

Audit Client Survey Results




As part of our quality assurance process, we issue surveys to our audit clients after each audit. These surveys help our Office determine how each audit unfolded, and the value seen by management in both the scope of the work we performed and the recommendations issued. Respondents are asked to answer questions regarding engagement performance by selecting from the following responses: strongly agree, agree, disagree, and strongly disagree. Aggregated results for the past year are as follows:

Questions	Rate of Respondents that Agreed or Strongly Agreed
Audit provided value	100%
Audit recommendations are constructive and actionable	100%
Audit scope and objectives were relevant and clearly conveyed	100%
Audit report is objective, accurate, succinct, and clearly written	100%
Communication lines were open and positive	100%
Audit staff were objective, qualified and professional	100%

The survey results for audits concluded in 2024 show that respondents felt very positively about: our audits, the way staff conduct themselves, and the value we bring. Based on the valuable feedback received from the survey, we will continue to collaborate with management in streamlining our process as part of our continuous improvement process.

Members of Council Survey Results

In 2024, the OAG sent out an annual survey to members of Council, which consisted of 12 questions to better understand the impact of our work and Councillors’ perspectives on the steps we are taking to achieve our mandate.

 Objective	 Results	 Actions
<p>The objective of this survey was to obtain feedback from Council members regarding the overall performance of the OAG in 2024.</p>	<p>Respondents felt that the OAG:</p> <ul style="list-style-type: none"> • Has a clear understanding of Council priorities and supports the City in its achievement of its strategic objectives. • Staff demonstrate integrity, honesty, objectivity and professional courage in the conduct of their work and possess the necessary competencies. • Some respondents felt that the OAG only sometimes met the needs of the Audit Committee in terms of reporting (e.g. timeliness). 	<p>To continue to ensure timely and relevant reporting, the OAG will be including more smaller scoped audits in our Audit Work Plan moving forward to enable timelier feedback on relevant issues. We will continue to link our audit selection to Council priorities, high risk areas, and areas identified in our surveys conducted with members of the public and Council.</p>

In our 2023 survey, some respondents felt that the OAG’s work only sometimes resulted in improved governance, risk management, and control processes. We committed to adding a section to each of our reports to explain how our work led to such improvements. Subsequent to the tabling of the 2023 annual report, we commenced the practice of including a value statement in our reports, such as the one illustrated below from the Audit of the Climate Change Master Plan tabled in 2024. The 2024 results demonstrated a 28% improvement in this area.

Value of Audit: This audit made recommendations to ensure alignment of activities and spending with the strategic direction of the City related to climate change. More specifically, the recommendations are intended to help the City consider structural improvements to ensure the portfolio is set up for success and can demonstrate value for money.

Senior Management Survey Results

The objective of this survey was to obtain feedback from senior management regarding the overall performance of the OAG in 2024.

All respondents felt that the OAG's audit engagements contributed to more efficient and effective operations and/or reduce the City's risk exposure. The majority of respondents also felt that the OAG influenced positive change and continuous improvement within the City. Some respondents felt that there was only sometimes a supportive environment for audits at the City, and that management only sometimes promotes the importance of the OAG's work. The City Manager has confirmed her continued commitment and support to the work of the OAG.

The OAG will work with management and attend staff meetings and director level team meetings to communicate the OAG's purpose, independence and how our Office brings value in the conduct of our work. In addition, we will be promoting the value of the work we do on the FWHL through an awareness campaign that is planned for 2025.

Leadership in the Audit Community

Every year our Office contributes in various ways to the audit profession. In 2024, the Office's contributions included:

2023 Knighton Award

The Association of Local Government Auditors is an organization representing more than 300 organizational members and more than 2,500 individual members including auditors from cities, countries, utility districts, transit agencies and more. ALGA, through its Knighton Awards, recognizes the best performance audit reports of the year across its members. In February 2024, our Auditor General, alongside representatives from Houston, Chicago, King County, and Sacramento, formed part of the evaluation committee for the extra-small audit shops.



2024 ALGA Annual Conference

As recipients of the 2023 Knighton Award, the Auditor General and the Deputy Auditor General presented the results of the City's Response to the Convoy Protest at the National Conference in Seattle in May 2024.

2024 MIAA Fall Workshop

The Municipal Internal Auditors Association (MIAA) is an organization that provides education and networking opportunities to its membership which includes over 40 audit groups from municipalities, local school boards and police services across Ontario and other provinces. As part of its Fall Workshop, the Office presented the results of our Audit of the Climate Change Master Plan, sharing our approach, our successes, innovations, and our lessons learned.



Canadian Municipal Audit Forum

On an annual basis the Canadian Audit and Accountability Foundation (CAAF) organizes an annual forum for all heads of municipal audit shops to share information including key accomplishments achieved over the course of the year. This year the forum was held virtually in November 2024. As an audit leader in implementing agile auditing in the public sector, the Auditor General and the Deputy Auditor General presented our approach and results of our Agile Audit of the Zero Emission Buses project to municipal Auditor Generals/City Auditors across Canada.

In addition to the above contributions, the Office continues to liaise with municipal, provincial and federal counterparts in Canada and around the world to share and gain insights on best practices, efficient design of our audit programs and raise awareness about our profession.

Visit us online at www.oagottawa.ca

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The **Fraud and Waste Hotline** is a confidential and anonymous service that allows City of Ottawa employees and members of the general public to report suspected or witnessed cases of fraud or waste 24 hours a day, seven days a week.

www.ottawa.fraudwaste-fraudeabus.ca / 1-866-959-9309