



Office of the Auditor General

Audit of Ethics

Tabled at Audit Committee March 12, 2015

Table of Contents

Executive Summary.....	1
Introduction	1
Background	1
Ethics Management Frameworks	1
The City’s Ethics Management Framework.....	2
Exhibit 1 – OAG’s Representation of an Ethics Management Framework	3
Audit Objectives, Scope and Approach	4
Summary of Key Findings	5
Recommendations and Management Responses.....	9
Areas of Potential Savings	13
Conclusion	13
Acknowledgement.....	14
1.1 Detailed Audit Report	15
1.1.1 Introduction	15
1.1.2 Background.....	15
1.1.3 Audit Scope, Objectives and Criteria	19
2. Assess the implementation of the City’s current Ethics Management	19
1.1.4 Approach.....	25
1.1.5 Detailed Findings, Observations and Recommendations	27
1.1.6 Potential Savings	43
1.1.7 Conclusion	43
1.1.8 Acknowledgement.....	44
Appendix A: Description of Elements and Examples of Components of an Ethics Management Framework.....	45
Seven Elements of a Mature Ethics Framework:	45
Key Components present at the City of Ottawa:.....	46

Executive Summary

Introduction

The Audit of Ethics was included in the 2013 Audit Work Plan of the Office of the Auditor General (OAG), approved by City Council in October 2012. This work is aligned with the City of Ottawa’s Audit Standard 2110.A1, which states, “The audit activity must evaluate the design, implementation, and effectiveness of the City’s ethics-related objectives, programs, and activities.”

Background

Municipalities are vulnerable to situations that threaten their perceived transparency, fairness, and accountability to the public. For example, decisions related to hiring, contracting, planning, and procurement are often scrutinized by the public based on the threat they pose to a municipality’s ability to maintain high ethical standards. Since such business practices are essential to a municipality’s ability to serve its citizens, municipalities must establish, communicate, reinforce, and monitor ethical standards in an effective and efficient manner.

Ethics Management Frameworks

An Ethics Management Framework (EMFW), also commonly known as an Ethics Program, refers to an organization’s set of policies, activities, and other governance structures that contribute to building and maintaining an ethical culture. Generally, an EMFW assists in mitigating ethical risks by: identifying appropriate behaviours; communicating expectations to employees; and enforcing those expectations. An EMFW is comprised of a set of elements that establish core attributes such as policies and guidelines, leadership, recourse mechanisms, communications, and learning. Organizations will implement specific components to address these attributes. Examples of these components may include a customized code of conduct, the delegation of a chief ethics officer, and an anonymous incident reporting system.¹ An EMFW should also be tailored to the organization’s unique needs and objectives, and must be routinely monitored to ensure it remains effective.

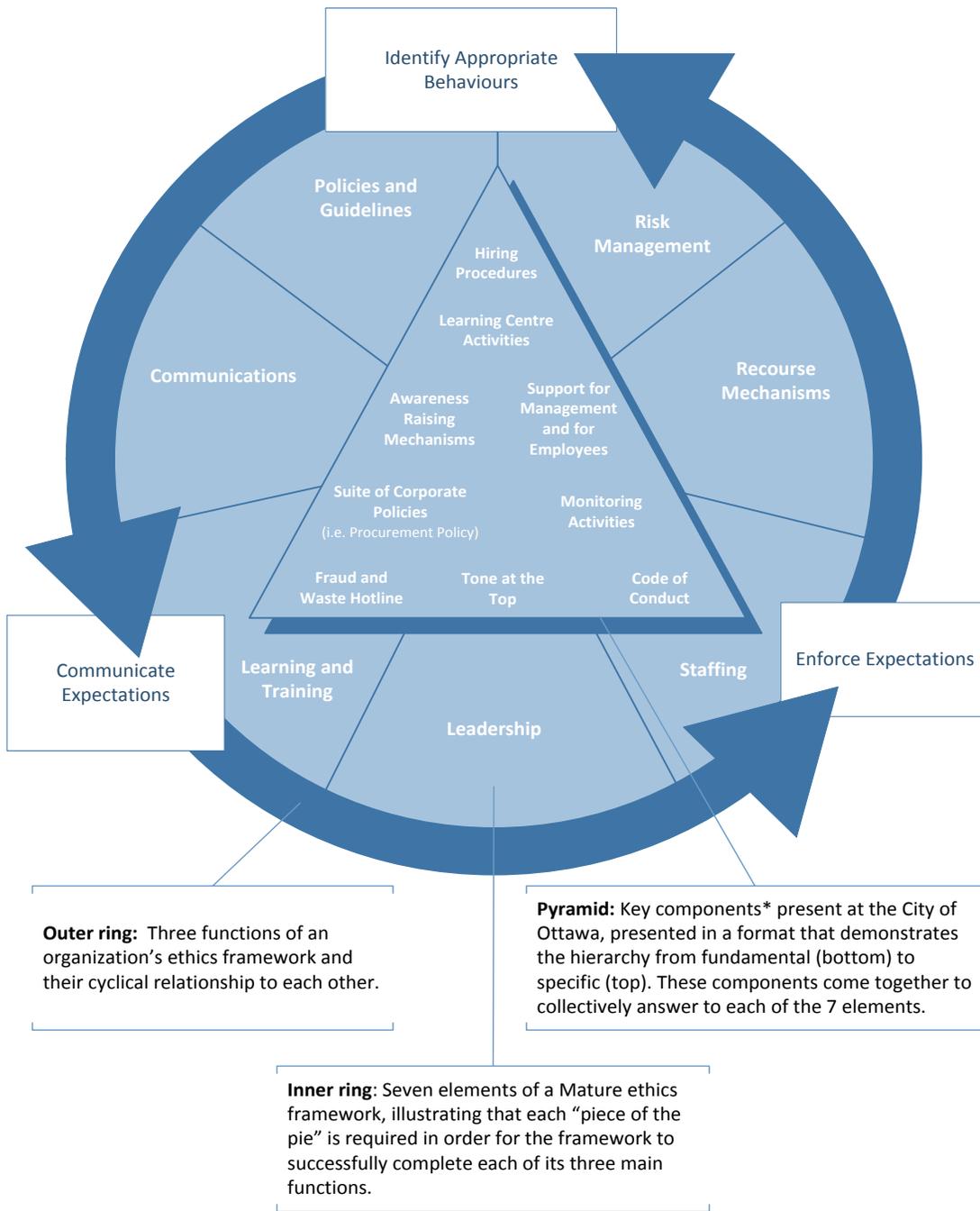
¹ Examples derived from “*Evaluating Ethics Related Programmes and Activities*” as published by the Institute of Internal Auditors, June 2012

The City's Ethics Management Framework

The components within an EMFW are typically established and updated at various times as a municipality, or any organization, evolves and matures in its approach to promoting an ethical culture.

The diagram below (Exhibit 1) provides a visualization of the OAG's representation of a mature EMFW and includes examples of policies, tools, and activities identified within the City of Ottawa's current EMFW. The diagram highlights that effectively managing ethics requires a dynamic and coordinated process whereby the strength of the overall framework is dependent on the robustness of individual components. Appendix A describes the seven elements of a mature ethics framework as well as some of the key components present at the City of Ottawa.

Exhibit 1 – OAG’s Representation of an Ethics Management Framework



*Note that the components in this graphic are not an exhaustive list of the components in existence at the City.

As articulated in Exhibit 1, the City has implemented a variety of components which comprise its EMFW. Two components are the Employee Code of Conduct and the Fraud and Waste Hotline. A brief synopsis of these is provided below.

Employee Code of Conduct

In 2008, the Litigation and Labour Relations Branch conducted a comprehensive review of the previous Employee Code of Conduct (“Code of Conduct”). The Code of Conduct was then revised to be more “values-based,” with greater focus on expected behaviours of staff when faced with ethical dilemmas. It also serves to emphasize the importance of disclosing potential conflicts of interest or other ethical dilemmas to direct supervisors as a means of proactively managing ethical risks.

The Code of Conduct is intended to set out and communicate the expected behaviours of City staff. It also makes reference to several corporate policies that provide more information about specific expectations and responsibilities. These policies are listed in sub-section *2.3.1 Employee Code of Conduct and Related Policies* of the full report.

The Fraud and Waste Hotline

On November 1, 2005, the City launched a Fraud and Waste Hotline (“the Hotline”) to provide an anonymous mechanism for City staff to report suspected fraud, waste, or other inappropriate incidents. The Hotline is accessible by phone or Internet. Hotline reports are initially received by an independent third party and are then provided to the OAG who may conduct an investigation, when appropriate, based on the nature of the alleged violation. Cases are then generally forwarded to the City Manager’s Office for review and response. Cases are also provided to the Mayor’s Office as well as the Audit Sub-Committee Chair for information. In May 2009, the Hotline was made available to the public.

The Hotline provides staff and members of the public with an opportunity to anonymously report alleged inappropriate activities that they have witnessed. It may mitigate ethical risks by discouraging potential wrongdoers, and identifying ethical violations when they occur.

Audit Objectives, Scope and Approach

The audit had three objectives:

- Assess the ***design*** of the City’s current Ethics Management Framework;
- Assess the ***implementation*** of the City’s current Ethics Management Framework; and,
- Assess the ***effectiveness*** of the City’s current Ethics Management Framework.

The scope of this audit included an overall assessment of the City's EMFW which included an examination of the following components:

- Employee Code of Conduct and related policies;
- Relevant staffing and human resources processes; and,
- Communications, training, and recourse processes.

The following areas were excluded from the scope of this audit:

- Members of City Council;
- Election-Related Resources Policy;
- Agencies, Boards, or Commissions; and,
- Integrity Commissioner and the Lobbyist Registry.

The audit approach was based on an Audit Practice Guide titled "*Evaluating Ethics-Related Programs and Activities*".² Information was gathered through several methods including interviews with select departmental heads and managers, an all-staff survey, a review of key documents, and employee file testing.

Summary of Key Findings

Results from the All-Staff Survey

The objective of the survey was to assist in assessing the ethical climate at the City and to provide details on the perceptions of employees towards various aspects of the City's EMFW. The Institute of Internal Auditors (IIA) recommends the use of a survey as a means to assess the ethical climate of an organization within its *Evaluating Ethics-Related Programs and Activities - Practice Guide*. The survey included 10 close-ended questions (in the form of statements) asking employees whether they agreed, disagreed, or had no opinion with respect to each statement. An 11th question asked for additional comments. In total, the survey was provided to 17,262 City of Ottawa employees, and 2,829 surveys were completed for an overall response rate of 16%.

Overall, the results of the all-staff survey were quite positive and suggested that, in general, the ethical climate at the City is quite strong. Aggregating the results across all the questions demonstrated that respondents provided a positive

² The Institute of Internal Auditors' Practice Guide "Evaluating Ethics-Related Programs and Activities" was published June 2012 to provide guidance to auditors in evaluating the design, implementation, and effectiveness of the ethics-related objectives, programs, and activities such as required under City of Ottawa Audit Standard 2110.A1.

response to 70% of the questions. Survey results also demonstrated that the vast majority of employees are aware of (95%) and have read (84%) the Code of Conduct.

Most employees also agreed that their direct supervisors (81%) and colleagues (72%) are ethical.

However, the survey results also identified potential areas for improvement. Specifically, the results indicated that there are some unfavourable perceptions towards senior management's behaviour, some fear that staff would not be protected from reprisal after reporting an incident of non-compliance, concerns over the preferential treatment of some employees over others, some uncertainty among employees of where to go for assistance when managing an ethical dilemma, and that the practice of regularly discussing ethics issues and concerns is not widespread throughout the City.

The survey results were analyzed and synthesized with those from interviews and testing to identify areas of strength and opportunities to the City's EMFW.

Strengths and Opportunities for Improvement

Based on the information gathered, the audit found a number of strengths and areas for improvement concerning the City's EMFW. These are presented below.

Strengths

The following are areas of strength identified through the conduct of the audit:

The Code of Conduct and its related policies effectively set out senior management's expectations of employees and provide guidance to manage prominent ethical issues such as fraud, inappropriate hiring practices, acceptance of gifts and hospitality. Based on our review of the Code of Conduct and related policies, no significant gaps were identified. Furthermore, the City Clerk and Solicitor's active involvement and actions in the design and rollout of the Code of Conduct set a strong "ethical tone," supported its credibility, and reinforced to employees the Code's importance to senior management. Interviewees stated that this active involvement contributed to a strong awareness among employees of the Code of Conduct, which, as discussed earlier, was also demonstrated through the survey results.

The City's Fraud and Waste Hotline provides employees and the public with an anonymous reporting mechanism. Based on research of leading practices including IIA's Maturity Model for Ethics Programs and practices employed in other municipalities, an anonymous reporting mechanism is a good component within a

mature EMFW. As such, the Fraud and Waste Hotline demonstrates sound management practice, and reports have led to audits and investigations, as well as disciplinary actions. Furthermore, interviewees stated that employees are well aware of the Hotline and its purpose, and view it as an important component in maintaining a strong ethical culture at the City.

Opportunities for Improvement

The audit also found areas for improvement to strengthen the City's EMFW. These represent areas where City staff should prioritize their efforts to further the maturity of the City's EMFW.

Survey results suggest that some employees fear reprisal for reporting a violation. Specifically, only 56% of total survey respondents agreed that employees who report suspected improprieties are protected from reprisal. Of the respondents who provided written comments, 10% (36/358) indicated that reporting an incident would lead to negative consequences for themselves. It is important to note that these results do not distinguish between the various reporting mechanisms available to employees. Regardless, a fear of reprisal may lead to incidents going unreported.

There are several courses and training opportunities provided by the Learning Centre for employees that include ethics-related material. There is also Code of Conduct awareness training built into the Employee Orientation and the recently created mandatory courses for all newly promoted/hired supervisors and managers. However, there is no mandatory requirement for all employees to regularly take training with a focus on ethics in a Public Sector environment, or the Code of Conduct. Moreover, long-time employees are not required to take regular "refresher" training related to the Code of Conduct. This presents a risk that these employees may not fully understand management's expectations and could, over time, develop "bad habits" that are in violation of the Code of Conduct.

The City has a requirement that each policy and procedure is reviewed as necessary, but at least every three years. The department that is responsible for the policy or procedure is supposed to conduct the review. Corporate Programs and Business Services has established procedures and templates to support the review processes. This review process is intended to ensure that policies and procedures remain relevant and current. However, the audit found that not all policies referenced by the Code of Conduct have been reviewed within the last three years. At the time we wrote this report, 6 of the 17 policies referenced within the Code of Conduct were overdue for review. Another relevant policy, pertaining to Police or Criminal Record Checks, was also found to be overdue as it had not been reviewed in the last three years. This presents a risk that these policies may be inconsistent

with the Code of Conduct and other related policies and procedures, and that they may have become irrelevant in their current form over time.

The City has employed several different communication methods to complement the Code of Conduct including booklets, posters, a series of Questions and Answers posted on the Intranet, workshops, “In the Loop” e-newsletter articles, as well as an annual Management Bulletin from the City Manager with a reminder to managers to review the Code of Conduct with employees during the year-end ICA discussion, and an Employee Checklist. However, the majority of ethics-related communications are conducted ad-hoc or on-demand. Furthermore, there is no overarching communications strategy that sets out the frequency of communications and messaging to employees. This presents a risk in that ethics-related messaging may become inconsistent across the City.

As set out in the Performance Development Program Guidelines, all full-time employees are expected to complete a performance evaluation called an Individual Contribution Agreement (ICA) on an annual basis. The most recent ICA templates include a component on the employee’s adherence to the Code of Conduct. We reviewed a random sample of 100 full-time employee files to determine the extent that ICAs are being completed and that staff are being assessed on their adherence with the Code of Conduct. Completed ICAs provide evidence that supervisors and managers are having annual discussions with employees about the Code of Conduct or other ethical matters. Employee file testing results demonstrated that 51% of employees had not completed an annual ICA, and 33% of those who did complete them had not used the most up-to-date templates. As such, only a fraction of full time employees are being assessed annually on their adherence to the Code of Conduct, and some direct supervisors and managers are not consistently using the performance evaluation process as a means of reminding employees of the importance of adhering to the Code of Conduct.

The City conducts an all-staff Employee Engagement Survey every two years, and several questions touch on specific ethical issues. However, these questions do not assess the ethical climate of the City at a holistic level. As such, the City has limited knowledge available to assess the ethical climate and overall effectiveness of its EMFW on an ongoing basis.

Several groups within the City have taken on responsibilities associated with the EMFW. Interviewees stated that it is generally understood that the City Clerk and Solicitor as well as the Litigation and Labour Relations Branch have taken the lead on the Code of Conduct and initiatives related to ethics. However, the City’s overall EMFW and responsibilities for ethics management have not been formally defined

and documented. This may lead to confusion in managing responsibilities and expectations associated with ethics management.

Recommendations and Management Responses

Recommendation 1

That the City reviews its existing incident reporting mechanisms and related investigation procedures to identify opportunities to ensure employees are appropriately protected from reprisal.

Management Response

Management agrees with this recommendation.

Management, in consultation with the Office of the Auditor General, will review the Fraud and Waste Hotline process, as well as other incident reporting mechanisms at the departmental level by Q4 2014 to ensure staff are appropriately protected from reprisal. This will involve developing and/or updating communication materials (e.g. Management Bulletin, In The Loop article, Code of Conduct Questions and Answers) that emphasize whistleblower protection and the City's commitment to protecting employees who report a violation or participate in an investigation. Future circulations about the Code of Conduct will also highlight the Code's existing whistleblower protection clause in order to enhance awareness amongst all staff (Managers/Supervisors and employees alike) that retaliation for reporting violations is not tolerated.

Recommendation 2

That the City reviews communications with employees promoting the City's commitment to supporting protection of employees who report incidents of alleged violations of the Code of Conduct and associated corporate policies and procedures.

Management Response

Management agrees with this recommendation.

Management will ensure communication materials (e.g. Management Bulletin, *In The Loop* article, Code of Conduct Questions and Answers) emphasize whistleblower protection and the City's commitment to protecting employees who report a violation or participate in an investigation by Q4 2014. Future circulations about the Code of Conduct will also highlight the Code's existing whistleblower protection clause in order to enhance awareness amongst all staff (Managers/Supervisors and employees alike) that retaliation for reporting violations is not tolerated.

Recommendation 3

That the City develops, regularly reviews and revises training materials related to the Employee Code of Conduct and other ethical matters, and that this training is regularly delivered to all staff.

Management Response

Management agrees with this recommendation. Human Resources, in conjunction with the Litigation and Labour Relations Branch, will develop a Code of Conduct eLearning module by Q4 2014. The module will be delivered regularly to all staff.

The City currently offers several courses with ethics-related material in its content, including the New Employee Orientation program for newly hired employees. In addition, in 2013 the City introduced mandatory training sessions for newly promoted/hired supervisors and managers: 'New Manager Orientation' and 'New Supervisor Transition'. The sessions are delivered by the City's executives and managers and both include a section on the Code of Conduct.

Also, Senior Management Committee has approved additional mandatory training for newly promoted/hired supervisors and managers. The curriculums include 'Supervising/Managing in a Unionized Environment' and 'Leading a Diverse Workforce' which is the supervisor/manager version of 'Respectful Workplace Training'. These mandatory curriculums will come into effect June 1, 2014.

All training courses and programs are subject to periodic review. In future reviews, Human Resources, in conjunction with the Litigation and Labour Relations Branch, will seek to incorporate a component of the Code of Conduct in every training session/manual that the City offers where feasible.

Recommendation 4

That the City ensures that all corporate policies and procedures referenced by the Code of Conduct are regularly reviewed and revised as necessary, but at least every three years to ensure that these remain current, relevant, and align with the Code of Conduct.

Management Response

Management agrees with this recommendation.

The City's existing Corporate Administrative Policy Framework requires that all corporate administrative policies and procedures, including the Code of Conduct, be reviewed every three years unless there is a requirement for more

frequent review due to legislative or operational requirements. The Corporate Programs and Business Services Department does and will continue to coordinate the policy review cycle; assist policy owners by consulting on quality, appropriateness and consistency of policies, and report to the Executive Committee on the annual policy review status.

Three policies (Discipline; Hiring and Employment of Family Members; Petty Cash Funds and Change Floats) noted as overdue for review have been revised since the time of the audit and the remaining three are in the review and consultation stages. They are expected to be updated by Q4 2014. The Police or Criminal Record Check Policy is currently being revised and is also expected to be updated by Q4 2014.

Recommendation 5

That the City develops a coordinated and standardized communications strategy that sets out the messaging, mechanisms and frequency of communications related to the Employee Code of Conduct and other ethical matters for all City employees.

Management Response

Management agrees with this recommendation.

Standardized messaging on ethics-related matters will be developed by Labour Relations in consultation with Corporate Communications to ensure consistency across the various communication channels (e.g. Management Bulletins, *In The Loop* Employee Newsletter, Ozone resources). This communications strategy, which will be developed by Q4 2014, will be reviewed annually.

Recommendation 6

That the City ensures that all full-time employees annually complete Individual Contribution Agreements using the most recent templates that include a section referencing their adherence to the Code of Conduct.

Management Response

Management agrees with this recommendation.

The City requires all full-time employees to complete an Individual Contribution Agreement (ICA) on an annual basis with the exception of Transit Operators who are on an 18-month cycle. At the end of each year the City Manager issues a Management Bulletin reminding managers and supervisors of the requirement to complete ICAs for all applicable employees.

The current method for tracking completion of ICAs is to conduct random file audits. The City is in the process of sourcing an automated Performance Management Solution for implementation in 2014 and anticipates that this will be completed by Q1 2015. The solution will house up-to-date ICA templates, which include a section referencing adherence to the Code of Conduct, as well as have the ability to track ICA completion status in order to follow up with managers in instances where ICAs have not been completed.

Recommendation 7

That the City develops standard questions to include in future Employee Engagement Surveys to assess the overall ethical climate of the City on an ongoing basis.

Management Response

Management agrees with the recommendation to enhance the Employee Engagement Survey to incorporate this key area of insight. Management will develop standard questions by Q3 2014 in order to assess the overall ethical climate of the City, in each future survey.

Recommendation 8

That the City formalizes the responsibilities of an Ethics function that would serve to define, lead and support the effectiveness and ongoing maturation of the City's EMFW. This function would be responsible for such items as tailoring guidance on the Code of Conduct, coordinating communications and training materials, and proactive management of City wide risks to ethics-related objectives.

Management Response

Management agrees with this recommendation.

A formalized Ethics function would most appropriately rest within the City Clerk and Solicitor Department as part of the open and accountable governance model. The responsibilities of this function could include: responding to questions relating to ethical matters; contributing to the development and implementation of ethics-related communication strategies and training programs; and informing all City employees on the tools that are available to help them perform and lead with integrity. This function would also serve as one of the main points of contact for staff to report ethical violations and, in conjunction with the Office of the Auditor General, would ensure that reported concerns are promptly and thoroughly investigated, with corrective action and discipline when appropriate.

Management will include the proposal for this function and FTE for consideration during the development of the Term of Council Strategic Priorities and Draft 2015 Operating Budget, to be recommended to Council in Q1 2015.

Areas of Potential Savings

A strong EMFW reduces incidents of non-compliance, which have direct negative economic impacts (e.g., fraud, abuse of assets) and may require costly investigations. Responding to the recommendations in this audit will assist management in strengthening the City's EMFW and in reducing costs related to incidents of non-compliance. The audit identified two areas in particular that represent further opportunities for savings.

First, mandatory, regular training on the Code of Conduct and other ethical matters will increase employees' understanding of expected behaviours, and the potential consequences of not adhering to those expectations. This should decrease the number of violations by employees which will, in turn, decrease the amount of effort required on disciplinary matters.

Secondly, the establishment of an Ethics Function would decrease confusion regarding ethics-related roles and responsibilities and would reduce the likelihood of duplicated or conflicting activities.

Conclusion

The City of Ottawa has a number of effective components that support its EMFW. Specifically, the City Clerk and Solicitor's active involvement in the design and rollout of the Code of Conduct has supported both the credibility and understanding of the Code across the City. In addition, the Fraud and Waste Hotline is a mechanism for reporting alleged violations. A number of components could also be more formally standardized, including training requirements, communications activities, and regular assessments of employees' adherence to the Code of Conduct. The City also requires the means to regularly assess the ethical climate on an ongoing basis in order to continuously improve the Framework and adjust it to meet changing needs.

Finally, responsibilities associated with many of these components reside with various groups throughout the City. The establishment of an Ethics Function to define and strengthen the City's Ethics Management Framework, including tailored guidance on the Code of Conduct, coordinated communications, and training materials will help to clarify roles and responsibilities.

Acknowledgement

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

The section that follows is the detailed audit report.

1.1 Detailed Audit Report

1.1.1 Introduction

The Audit of Ethics was included in the 2013 Audit Work Plan of the Office of the Auditor General (OAG), approved by City Council in October 2012. This work is aligned with the City of Ottawa's Audit Standard 2110.A1, which states "The audit activity must evaluate the design, implementation, and effectiveness of the City's ethics-related objectives, programs, and activities."

1.1.2 Background

The City of Ottawa is a large organization, with approximately 17,000 employees providing services to its residents, businesses, and visitors. As set out in its Employee Code of Conduct, the City holds its employees to the highest standards of ethics. The Code of Conduct states, "Integrity is the foundation of public service and our shared values (transparency, impartiality, respect, accountability) are the pillars that support it...City employees have, and should be seen to have, the highest standards of ethical behaviour."

As a public sector organization and municipality, the City is subject to unique ethical risks. To mitigate and manage these risks, the City has implemented a number of policies, initiatives, and activities that are also components within its overall Ethics Management Framework.

The following sections discuss the ethical risks faced by municipalities (and more specifically, a discussion of some of the ethical risks faced by the City of Ottawa in recent years); the concept of an Ethics Management Framework as a means to build and maintain a strong ethical culture; and, the state of the City's current Ethics Management Framework.

1.1.2.1 Ethical Risks Facing Municipalities

Municipalities are vulnerable to situations that threaten their perceived transparency, fairness and accountability to the public. For example, decisions related to hiring, contracting, planning, and procurement are often scrutinized by the public based on the threat they pose to a municipality's ability to maintain high ethical standards. Since such business practices are essential to a municipality's ability to serve citizens, municipalities must establish, communicate, reinforce, and monitor ethical standards in an effective and efficient manner.

The City of Ottawa's amalgamation brought together an array of employees, and therefore numerous organisational cultures and differing expected behaviours. Recognizing this, the City articulated and disseminated to its employees behavioural expectations through an Employee Code of Conduct. Ethical risks,

raised in previously conducted audits by the OAG, have translated into increased attention from management to direct that all employees complied with the Code and met behavioural expectations.

Ethical risks and issues were identified during planning interviews and through an initial review of relevant documentation.

1.1.2.2 Ethics Management Frameworks

An Ethics Management Framework (EMFW), or Ethics Program, refers to an organization's set of policies, activities and other governance structures that contribute to building and maintaining an ethical culture. The purpose of an EMFW is to assist in mitigating and managing ethical risks by identifying behavioural expectations, communicating those expectations to its employees and other stakeholders, and ultimately enforcing those expectations. An EMFW is comprised of a set of elements that establish its core attributes and include items such as policies and guidelines, leadership, recourse mechanisms, communications and learning activities. As with any framework, the elements will reflect a level of maturity consistent with the organization's capacity, capability, and objectives. Organizations will implement various specific components to address these core attributes (e.g., a customized code of conduct, the delegation of a chief ethics officer and an anonymous incident reporting system³).

An effective EMFW should be tailored to the organization's unique needs and objectives. Furthermore, an EMFW requires active management and monitoring to ensure it remains effective.

1.1.2.3 The City's Current Ethics Management Framework

The City's current Ethics Management Framework includes several policies, initiatives and activities that are actively used by senior management, managers and supervisors to manage potential ethical risks. These include communications, training, and recourse mechanisms. As typical with most organizations, the components within the City's current EMFW have been established and updated at various times as the City's approach to promoting and maintaining an ethical culture has evolved and matured over time.

Exhibit 2 in sub-section 3.1 *Objectives* presents the components that the City has implemented within its EMFW. Two of its components are the Employee Code of

³ Examples derived from "*Evaluating Ethics Related Programmes and Activities*" as published by the Institute of Internal Auditors, June 2012

Conduct (and related policies) and the Fraud and Waste Hotline. These are discussed in greater detail in the sub-sections below.

Employee Code of Conduct and Related Policies

In 2008, the Litigation and Labour Relations Branch conducted a comprehensive review of the Employee Code of Conduct (“Code of Conduct”). The City Clerk and Solicitor spearheaded this initiative. The Code of Conduct was revised and approved by the Executive Committee in consultation with all staff associations and the City’s Senior Management Committee, and presented to the Corporate Services and Economic Development Committee for information in April 2010.

Prior to its review and update, the Code of Conduct was considered to be “rules-based.” After the review, the Code of Conduct was revised to be more “values-based” and have a greater focus on the expected behaviours of employees when faced with an ethical issue. Specifically, it includes references, along with “questions and answers” to provide guidance to deal with ethical issues, including employees’ expected response to being offered hospitality and gifts. It also emphasizes the importance of disclosing potential conflicts of interest or other ethical issues to direct managers or supervisors as a means of proactively managing ethical risks. Furthermore, the revised formal objectives of the Code of Conduct are “to advance the goal of preserving public trust and confidence in the City and to assist employees in applying the City’s core values in the completion of their work.”⁴

The Code of Conduct is an integral component of the City’s current EMFW. It is intended to establish a strong ethical culture within the City where employees are aware of and carry out expected behaviours, and where employees can freely discuss ethical concerns with their managers and supervisors.

The Code of Conduct also makes reference to several related corporate policies that provide more specific information related to the reporting of violations as well as expectations and responsibilities involving specific areas of City business. These policies provide guidance for managing potential ethical risks related to the misuse of assets, favouritism in staffing decisions, receipt of gifts and hospitality, among others. The Code of Conduct references the following policies and procedures:

- Disposal of Fleet Vehicles and Equipment;
- Purchasing By-law;
- Concurrent Employment;

⁴ Employee Code of Conduct City of Ottawa, page 1

- Gifts and Entertainment;
- Hiring and Employment of Family Members;
- Corporate Vehicle and Equipment Idling;
- Equity and Diversity;
- Hospitality (Internal - for City Employees);
- Personal Use of City Vehicles;
- Petty Cash Funds and Change Floats;
- Responsible Computing;
- Violence in the Workplace;
- Harassment in the Workplace
- Access to Employee Files Procedures;
- Re-employment;
- Discipline – Corporate Policy; and,
- Fraud and Other Similar Irregularities.

The Fraud and Waste Hotline

On November 1, 2005, the City launched a Fraud and Waste Hotline (“the Hotline”) to provide an anonymous mechanism for City employees to report suspected fraud, waste, or other inappropriate incidents. The Hotline is accessible by phone or the Internet. Hotline reports are initially received by an independent third party and are provided to the OAG who reviews each reported case and may conduct an audit or investigation when appropriate based on the nature of the alleged violation. Cases are then generally forwarded to the City Manager’s Office for review and response. Cases are also provided to the Mayor’s Office as well as the Audit Sub-Committee Chair for information.

In its Annual Report, the OAG reports the audits that were undertaken as a result of Hotline reports, as well as other issues arising and disciplinary actions taken.

At the February 25, 2009 Council meeting, the OAG provided a report to Council on the results of an employee survey conducted in 2008 pertaining to the Hotline’s first three years of operation. The report recommended that Council continue with the operation of the Hotline and to provide access of it to the general public. Council approved these recommendations and the Hotline was made available to the general public effective May 21, 2009.

The Fraud and Waste Hotline is a component of the City’s current EMFW. It is intended to provide employees and the public with an opportunity to anonymously report alleged violations that they have witnessed. It may mitigate ethical risks by discouraging potential wrongdoers and identifying violations when they occur.

1.1.3 Audit Scope, Objectives and Criteria

1.1.3.1 Objectives

This audit considered the extent to which the City's current EMFW supports its objective of maintaining a strong City-wide ethical culture that reflects the integrity, accountability and transparency required to facilitate a high level of public confidence in City employees. Specifically, the audit had three main objectives:

1. Assess the design of the City's current Ethics Management Framework:

This involved an assessment of the design and the comprehensiveness of the elements (e.g., leadership, communications and training) that make up the City's overall EMFW, including whether key elements of an effective Framework are in place and if there are any significant gaps in design.

2. Assess the implementation of the City's current Ethics Management Framework:

This involved an assessment of the implementation of the various elements of the City's EMFW, including assessing the extent to which the elements have been implemented consistently and as intended throughout the City.

3. Assess the effectiveness of the City's current Ethics Management Framework:

This involved an assessment of the extent to which the EMFW is meeting its objectives. Specifically, it involved assessing the current ethical culture at the City and identifying the elements of the EMFW that are facilitating or hindering the ethical culture. Furthermore, it included determining the extent to which employees feel free to discuss ethical concerns with their managers and supervisors and the degree to which managers and supervisors are embedding ethics into regular business practices.

It should be noted that the audit will also investigate and identify opportunities for cost savings.

1.1.3.2 OAG's Representation of an Ethics Management Framework

As part of the Planning Phase, the OAG identified and developed a "Mature Ethics Management Framework" by leveraging a variety of relevant guidance and research. A key source of guidance was the *ethics maturity model* as provided in the Institute of Internal Auditor's *Evaluating Ethics-Related Programs and Activities - Practice Guide* ("the IIA Maturity Model"). The IIA Maturity Model outlines a variety of attributes that comprise the ethical climate of an organization and classifies controls associated with each attribute according to five possible levels of maturity.

These levels are (1) Immature; (2) Repeatable; (3) Defined; (4) Mature; and, (5) World Class. The Institute of Internal Auditors Research Foundation (IIARF) also contributed guidance on attributes within its “Compliance and Ethics Maturity Model”.

To supplement and validate the IIA Maturity Model, other sources of insight were referenced including leading ethics-related practices for public sector organizations. These sources included the Organization for Economic Cooperation and Development and the Ethics Resource Centre. The purpose of identifying the elements and controls associated with a mature EMFW was to provide both a framework and an independent and reliable source of audit criteria against which the City’s current EMFW could be assessed.

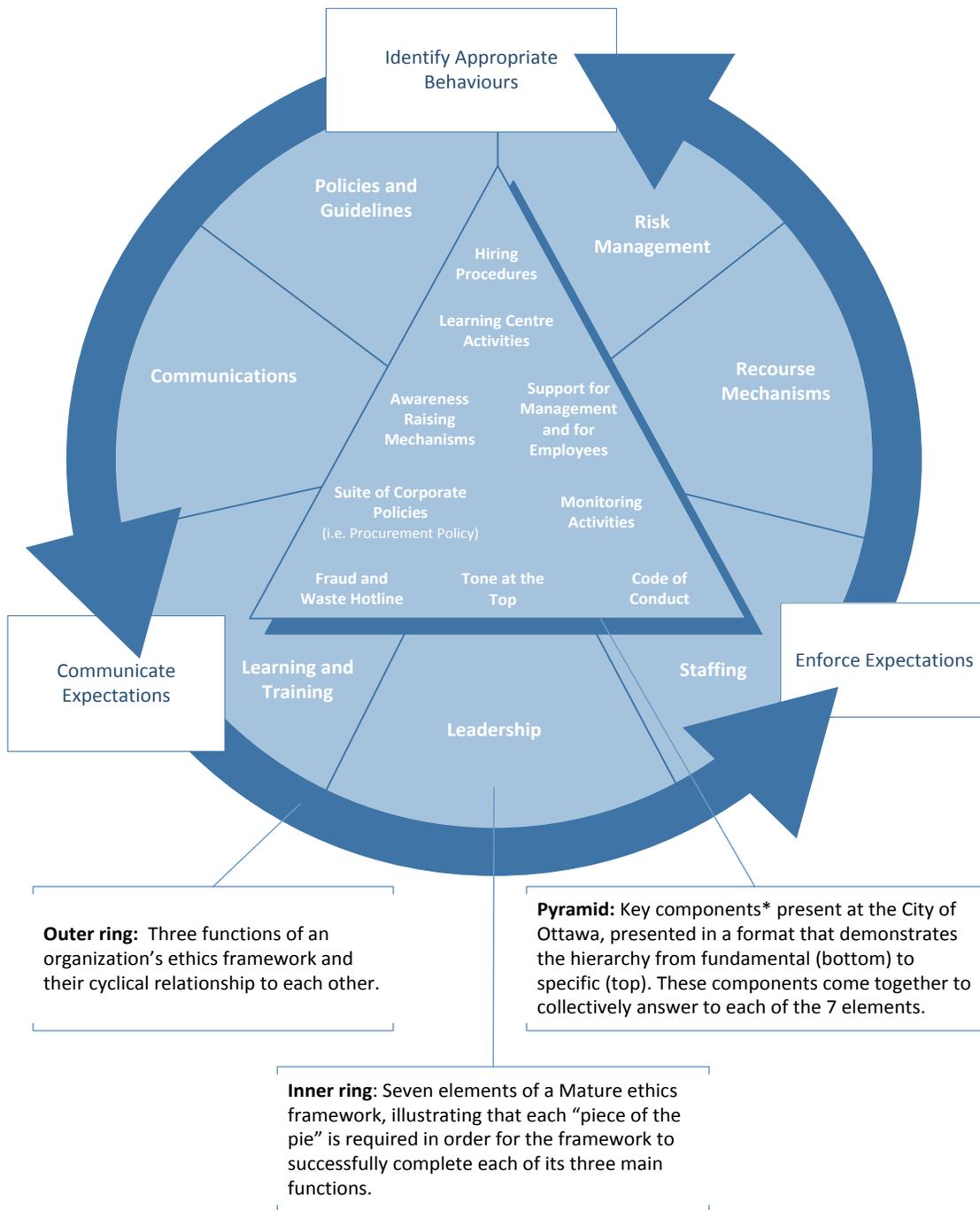
Considering that many of the components of the City’s existing EMFW (such as the Code of Conduct and the Fraud and Waste Hotline) have been in place for a number of years, it was considered reasonable to expect that the City should meet the maturity level of “Defined” as outlined in the IIA Maturity Model. As such, the majority of elements and controls used to identify the audit criteria have been extracted from the “Defined” level as per the IIA maturity model.

The mature EMFW includes the following elements as its core attributes:

1. Policies and Guidelines;
2. Leadership;
3. Communications;
4. Learning;
5. Staffing;
6. Recourse Mechanisms; and,
7. Risk Management.

Exhibit 2 provides a visualization of the OAG’s representation of a mature EMFW and how it relates to key components in place within the City’s current EMFW. The outer ring of the diagram demonstrates the functions of an EMFW (i.e., identify expected behaviours, communicate expectations, and enforce expectations) and their cyclical relationship to each other. The inner ring presents the seven elements of the mature EMFW. The triangle at the centre includes a selection of the key components in place that comprise the City of Ottawa’s current EMFW. The diagram highlights that effectively managing ethics requires a dynamic and coordinated process whereby the strength of the overall framework is dependent on the robustness of individual components. Refer to Appendix A for examples of the description of the seven elements of a mature ethics framework as well as some examples of key components present at the City of Ottawa.

Exhibit 2 - OAG’s Representation of an Ethics Management Framework (repeat of Exhibit 1 in Executive Summary)



*Note that the components in this graphic are not an exhaustive list of the components in existence at the City.

1.1.3.3 Audit Criteria

The Audit Criteria outlined below were derived from the key controls associated with each element of the mature EMFW as well as from the results of a preliminary risk and controls assessment of the City's current EMFW. The following presents the Audit Criteria associated with each element as well as their alignment with each of the Audit Objectives:

Audit Objective #1:

Assess the design of the City's current Ethics Management Framework

Element 1: Policies and Guidelines

- The Code of Conduct and related policies are comprehensive and complete.
- The Code of Conduct and related policies clearly outlines roles and responsibilities related to managing and responding to ethical issues.

Element 2: Leadership

- Senior Management's roles and responsibilities related to ethics are clearly documented.

Element 3: Communications

- A communications plan has been developed that sets out the frequency of communications and messaging to staff, suppliers and lobbyists.

Element 4: Learning

- Ethics-focused training materials have been developed.
- Training requirements for all staff include ethics-focused training.

Element 5: Staffing

- Job descriptions include expectations for ethical conduct.
- An ethics component is included in staff performance evaluations.
- A post-employment code is in place that sets out expected behaviours of former staff.

Element 6: Resource Mechanisms

- There are mechanisms available to staff to anonymously report incidents of non-compliance and there are clear guidelines on when and how to use these mechanisms.
- There are clear guidelines that set out the roles and responsibilities, procedures and documentation requirements for investigations of incidents of non-compliance.

- There are disciplinary procedures in place that includes consultations with the Human Resources function.

Element 7: Risk Management

- Roles and responsibilities related to the oversight of ethics-related risks have been established.
- Targets to assess the ethical climate of the City have been established.

Audit Objective #2:

Assess the implementation of the City's current Ethics Management Framework.

Element 1: Policies and Guidelines

- The Code of Conduct and related policies are regularly reviewed and updated as needed.

Element 2: Leadership

- Senior management is perceived by staff to demonstrate good ethical behaviour.
- City staff are aware of senior management's roles and responsibilities related to ethics.

Element 3: Communications

- There are regular communications to staff, suppliers and lobbyists regarding expected behaviour.
- There are communications products available to staff and suppliers to assist when faced with a potential ethical dilemma.

Element 4: Learning

- Staff are provided with ethics-focused training on a regular basis.
- Ethics-focused training materials are regularly reviewed and updated as needed.

Element 5: Staffing

- All staff attests on an annual basis that they comply with the Code of Conduct.
- All suppliers attest that they comply with the supplier's Code of Conduct.
- Personnel background checks are conducted on individuals prior to their hiring.
- Exit interviews are offered and conducted with former staff.

Element 6: Recourse Mechanisms

- Staff are using anonymous reporting mechanisms to report incidents of non-compliance in a manner consistent with the guidelines.

- Investigations of non-compliance are being undertaken in a manner consistent with the guidelines.
- Consistent disciplinary actions are taken regardless of the wrongdoer.

Element 7: Risk Management

- Ethics-related risks have been documented and are closely monitored and managed.
- Tools have been developed and are used to assess the ethical climate of the City on an ongoing basis.

Audit Objective #3

Assess the effectiveness of the City's current Ethics Management Framework.

- The City's current Ethics Management Framework facilitates a strong ethical climate.
- Staff are willing to disclose potential ethical dilemmas to City managers.
- Ethics are embedded in regular business practices.

1.1.3.4 Scope

The scope of this audit included an overall assessment of the City's EMFW in terms of its high-level design, implementation and effectiveness in ensuring and maintaining a strong ethical culture. As discussed earlier, the City's current Framework includes components that have been formally implemented across the City such as the Employee Code of Conduct and related policies. The Framework also includes other components related to communications, training, recourse mechanisms and others. Exhibit 2 in Section 3.1 of this report presents the numerous components that the City has implemented within its EMFW.

The following areas were excluded from the scope of this audit:

- Members of City Council;
- Election-Related Resources Policy;
- Agencies, Boards, or Commissions; and,
- Integrity Commissioner and the Lobbyist Registry.

It should also be noted that the scope of the audit did not include a comprehensive review of any specific City department, function or project from an ethics perspective. Rather, the focus of the audit was on the design, implementation and effectiveness of the Framework and its components at a corporate or City-wide level.

1.1.4 Approach

1.1.4.1 Overview

The audit approach was based on direction set out in the IIA's *Evaluating Ethics-Related Programs and Activities – Practice Guide*.⁵ It was designed to ensure that sufficient and appropriate audit procedures were conducted and evidence was gathered to provide a reasonable assurance of the accuracy of audit findings and conclusions. The resulting conclusions and recommendations are based on an examination of relevant documentation and an analysis of the results from interviews, controls testing and an all-staff survey, as evaluated against the audit criteria. More detailed information on the methodological components is provided below.

1.1.4.2 Methodological Components

The approach was undertaken in two phases: the Planning Phase and the Conduct Phase. Each is discussed below.

The Planning Phase of the audit occurred during the period from February 2013 through April 2013 inclusive. It involved an initial document review, planning interviews and the development of a preliminary risk and control assessment. Specifically, this involved:

- The initial document review focused on key policies and other documents relating to the City's EMFW.
- Planning interviews were conducted with senior managers from multiple departments. These interviews provided an understanding of the current state of the City's EMFW, key risks and any existing gaps or potential weaknesses. Interviewees were selected based on their knowledge of current components within the EMFW and on relevant risks that were identified in previous audits. In total, five planning interviews were conducted.
- Based on the initial documentation review and the planning interviews, the audit team used the mature EMFW model to conduct a preliminary risk and controls assessment of the City's Framework. The purpose of this assessment was to assist in the development of audit criteria and methodologies to be used in the Conduct Phase, as well as to identify testing requirements.

⁵ The Institute of Internal Auditors' Practice Guide "Evaluating Ethics-Related Programs and Activities" was published June 2012 to provide guidance to auditors in evaluating the design, implementation, and effectiveness of the ethics-related objectives, programs, and activities such as required under City of Ottawa Audit Standard 2110.A1.

The Conduct Phase of the audit occurred during the period May 2013 through August 2013 inclusive. It included a further review of ethics-related documentation, structured interviews, testing of employee files and an all-staff survey. Specifically, this involved:

1. The document review included an assessment of:
 - The roles and responsibilities of senior management as well as managers and supervisors;
 - An analysis of the Code of Conduct and related policies (including policies pertaining to procurement, reporting, discipline, etc.);
 - Ethics-related communications to determine frequency and consistency;
 - Training materials and related policies;
 - The non-compliance investigation process and policies, and,
 - Results for select questions from the City's most recent Employee Engagement Survey.
2. Structured interviews were conducted with managers to assess familiarity with and perceived strengths and weaknesses of the City's EMFW, and to gauge the extent to which the Framework affects the every-day working environment of City employees. These interviews also allowed an analysis of the level of understanding among managers of roles and responsibilities regarding implementing and maintaining the Framework. Interviews were held at the manager level as these individuals were expected to provide sufficient detail on regular business practices within their department/branch and how the current EMFW is integrated within those practices. In total, 13 interviews were conducted.
3. Testing of employee files was conducted to determine the extent to which employees are attesting on an annual (or regular) basis that they comply with the Code of Conduct and to determine whether performance reviews include an ethics component. A random sample of 100 full-time employee files were reviewed and tested. The sample included an approximate proportional representation of 10 union and non-union groups.
4. An all-staff survey was conducted to assist in assessing the ethical climate at the City and provided details on the perceptions of employees towards various aspects of the EMFW. Overall, the survey received a response rate of 16% (or 2,829 responses). Section 5.1 provides greater detail on the approach used to conduct the survey and analyze results and the overall results of the survey.

1.1.5 Detailed Findings, Observations and Recommendations

1.1.5.1 Results from the All-Staff Survey and Overall Observations on the State of the City's Ethical Climate

The objective of the survey was to assist in assessing the ethical climate at the City and to provide details on the perceptions of employees towards various aspects of the City's EMFW. The Institute of Internal Auditors (IIA) recommends the use of a survey as a means to assess the ethical climate of an organization within its *Evaluating Ethics-Related Programs and Activities - Practice Guide*. The survey questions were based on the:

Expected outcomes of the City's Ethics Management Framework as identified by key interviewees during the Planning Phase; and,
Sample questions that were modified from the IIA's Practice Guide.

The survey included 10 close-ended questions (in the form of statements) asking employees whether they agreed, disagreed or had no opinion with respect to each statement. An 11th question asked for additional comments.

The survey ran for two weeks and was provided to employees in two groups: those with electronic access and those without electronic access (or non-electronic access). The electronic access group consisted of employees that have a City of Ottawa email address and network ID. These employees were provided with the survey through the City's Intranet (e-survey). The non-electronic access group consisted of all other employees (i.e., with no City of Ottawa email address or network ID). These employees were provided with personalized paper copies of the survey (paper survey). In total, the survey was provided to 17,262 City of Ottawa employees.

In total, 2,829 surveys were completed for an overall response rate of 16%. The following table provides a breakdown of the response rate by electronic access (e-survey) and non-electronic access (paper survey).

Table 1: Breakdown of Response Survey

Survey Type	Survey Issued⁶	Participants	Response Rate
Electronic	10,005	2,205	22.0%
Non-Electronic	7,257	624	8.6%
Totals	17,262	2,829	16.4%

⁶ Net of returns

Table 2 below presents the results of the survey for the 10 close-ended questions. It reflects the answers to each question as percentages of the total responses.

Table 2: Results of Response Survey

No.	Question	Agree	Disagree	No Opinion	No Response
1	I am aware of the City of Ottawa's Code of Conduct.	94.8%	2.9%	2.1%	0.2%
2	I have read the Code of Conduct.	82.8%	12.3%	4.6%	0.3%
3	Senior management demonstrates high ethical standards by following the Code of Conduct and laws/regulations affecting the City.	58.7%	17.5%	23.1%	0.6%
4	My direct supervisor complies with laws/regulations affecting the City.	80.9%	8.8%	9.9%	0.4%
5	5. My co-workers demonstrate high ethical standards by following the Code of Conduct and laws/regulations affecting the City.	71.9%	13.8%	13.8%	0.5%
6	Employees in my group are treated fairly and justly.	67.7%	22.1%	9.2%	1.1%
7	I am aware that employees who break laws and regulations affecting the City are discovered and are subjected to appropriate consequences.	68.1%	15.4%	16.0%	0.5%
8	I am aware that employees who report suspected improprieties are protected from reprisal.	56.0%	21.0%	22.6%	0.5%
9	If I am faced with an ethical dilemma, I know where I can go for help in resolving the situation.	66.0%	25.6%	8.1%	0.3%
10	Discussions about ethics occur in my workplace, including at staff meetings and other informal gatherings.	49.1%	34.3%	16.0%	0.6%
	Aggregated Totals	69.6%	17.4%	12.5%	0.5%

Overall, the results of the all-staff survey were quite positive and suggested that, in general, the ethical climate at the City is quite strong. Aggregating the results across all the questions demonstrated that respondents provided a positive response to 70% of the questions. The survey results indicated that the vast majority of employees are aware of (95%) and have read (84%) the Code of Conduct. Furthermore, results indicated that employees generally view their direct

supervisors and colleagues as being ethical. Specifically, 81% of respondents agreed that their direct supervisor complies with laws/regulations affecting the City, and 72% of respondents agreed that their co-workers demonstrate high ethical standards.

These findings were further supported by interview results. Managers that were interviewed who have had significant experience with the City and other municipalities (i.e., over 20 years' experience) stated that they have seen significant improvements in the City's ethical climate in recent years. They also noted that there is a more conscious understanding among employees that certain behaviours (e.g., acceptance of gifts and hospitality) are no longer acceptable. Interviewees also stated that the City Clerk and Solicitor has acted as a "champion" for the Code of Conduct and that his active involvement and actions in its design and rollout has set a strong "ethical tone," given its credibility and reinforced to employees the importance of the Code to senior management.

However, as demonstrated in Table 2 above, the survey results also identified potential areas for improvement. Specifically, there seems to be some unfavourable perceptions towards senior management's behaviour as only 59% of respondents agreed that senior management demonstrates high ethical standards. Additional comments from respondents and interviewees provided little clarification on this result. However, 14% of those who provided written comments (50/358) indicated unethical behaviour from supervisors/managers (e.g., bullying, harassment, creating unhealthy working environment).

The survey results also suggest that some employees fear reprisal for reporting a violation. Only 56% of total survey respondents agreed that employees who report suspected improprieties are protected from reprisal, and 10% of those who provided written comments (36/358) indicating that reporting an incident would lead to negative consequences for themselves.

There are also some concerns over the treatment of employees and the preferential treatment of certain staff over others. Specifically, 22% of respondents disagreed that employees in their group are treated fairly and justly. Within these, 12% of respondents who provided written comments (44/358) indicating that they have perceived favouritism in staffing decisions (i.e., hiring/dismissal decisions, promotions), and another 10% who provided written comments (36/358) indicating that they have perceived favouritism of some employees over others in their group (i.e., overlooking breaches of conduct, decisions related to merit pay). As such, these suggest that there are perceptions of favouritism, or a lack of fairness, among some employees related to staffing and other business decisions.

There also appears to be some uncertainty among employees of where they can go for help to resolve an ethical dilemma. Specifically, 26% of respondents disagreed that they knew where to go when faced with an ethical dilemma, and 8% of respondents who provided written comments (29/358) indicating that additional training and/or communications regarding ethics-related matters and how to manage them are required. These results suggest that there is some confusion among employee on where to go for assistance with managing ethical dilemmas, when needed.

Finally, survey results also suggested that the practice of regularly discussing ethics issues is not consistent throughout the City, as only 49% of respondents agreed that ethics are discussed in their workplace. This was validated during interviews, where managers provided varying descriptions of the mechanisms used to discuss ethical issues and the extent that ethics are regularly discussed within their department/branch. As such, there are “pockets” within the City where ethics are being discussed regularly, but the practice does not appear to be widespread.

The survey results were analyzed and synthesized with those from interviews and testing to identify areas for improvement to strengthen the City’s EMFW. These are discussed in the following sub-sections.

1.1.5.2 Recourse Mechanisms

Recourse mechanisms include avenues available to employees to report violations, investigation processes and guidance available to managers to deal with violations consistently and appropriately. As per the mature EMFW, the recourse mechanisms element is expected to include an anonymous reporting mechanism for employees, and clear guidelines that set out investigation procedures and disciplinary actions.

Several reporting avenues are available to City employees. Most managers who were interviewed emphasized that approaching direct supervisors or managers is the first and most widely encouraged avenue for employees to report a violation or to seek advice. Interviewed managers indicated that employees also have the option of reporting incidents to the Litigation and Labour Relations Branch (LLRB), the Human Resources Department (HRD), Union Heads and the Office of the Auditor General (OAG).

In cases where employees feel uncomfortable or unable to approach their manager or supervisor they can access the Fraud and Waste Hotline (“the Hotline”). The Hotline provides employees and the public with an anonymous reporting avenue, where reports are initially received by an independent third party. The resulting investigation process involves the reports then being sent to the OAG to determine whether it can be included in a current or upcoming audit. The OAG then forwards the reports to the City Manager’s Office for review, a possible investigation and a

response. As reported in the OAG's Annual Reports, since its implementation several violations have been identified to the Hotline that have resulted in audits or investigations, or at times disciplinary actions. Furthermore, interviewees stated that employees are well aware of the Hotline and its purpose, and view it as an important component to maintaining a strong ethical culture at the City. Based on research of leading practices including the IIA's Maturity Model for evaluating Ethics Programs and practices employed in other municipalities, the presence of an anonymous reporting mechanism that is available to all employees is a good component within a mature EMFW, and demonstrates sound management practice.

In terms of investigations and disciplinary actions, LLRB has developed Disciplinary Guidelines and will provide training to managers in other departments/branches on request. These guidelines set out the steps within the investigation and disciplinary processes, outline the documentation requirements and provide guidance on disciplinary decisions. However, all managers interviewed stated that when an issue is brought to their attention, they consult with LLRB prior to taking any action. They also indicated that they have other assistance available to them such as the Diversity and Inclusion Group and the Employee Assistance Program. However, they would typically only consult these groups after consulting LLRB. In general, managers who were interviewed were quite satisfied with the support available to them to deal with ethical violations.

The City clearly has recourse mechanisms in place. However, as discussed earlier, the results of the employee survey suggested that some employees fear reprisal for reporting a violation. Again, only 56% of total survey respondents agreed that employees who report suspected improprieties are protected from reprisal, and 10% of those who provided written comments (36/358) indicating that reporting an incident would lead to negative consequences for themselves. It is important to note that these results do not distinguish between the various reporting avenues available to employees.

The City's most effective means to identify ethical violations and breaches of the Code of Conduct is through its employees. A fear of reprisal among some employees may result in some violations going unreported.

Recommendation 1

That the City reviews its existing incident reporting mechanisms and related investigation procedures to identify opportunities to ensure employees are appropriately protected from reprisal.

Management Response

Management agrees with this recommendation.

Management, in consultation with the Office of the Auditor General, will review the Fraud and Waste Hotline process, as well as other incident reporting mechanisms at the departmental level by Q4 2014 to ensure staff are appropriately protected from reprisal. This will involve developing and/or updating communication materials (e.g. Management Bulletin, *In The Loop* article, Code of Conduct Questions and Answers) that emphasize whistleblower protection and the City's commitment to protecting employees who report a violation or participate in an investigation. Future circulations about the Code of Conduct will also highlight the Code's existing whistleblower protection clause in order to enhance awareness amongst all staff (Managers/Supervisors and employees alike) that retaliation for reporting violations is not tolerated.

Recommendation 2

That the City reviews communications with employees promoting the City's commitment to supporting protection of employees who report incidents of alleged violations of the Code of Conduct and associated corporate policies and procedures.

Management Response

Management agrees with this recommendation.

Management will ensure communication materials (e.g. Management Bulletin, *In The Loop* article, Code of Conduct Questions and Answers) emphasize whistleblower protection and the City's commitment to protecting employees who report a violation or participate in an investigation by Q4 2014. Future circulations about the Code of Conduct will also highlight the Code's existing whistleblower protection clause in order to enhance awareness amongst all staff (Managers/Supervisors and employees alike) that retaliation for reporting violations is not tolerated.

1.1.5.3 Learning

As set out in the mature EMFW, the learning element should include dedicated ethics-focused training materials and a requirement for all employees to regularly participate in ethics training. Furthermore, it is expected that ethics-focused training materials are reviewed and updated periodically.

The City currently offers several courses with ethics-related material embedded in its content. Courses are coordinated by the Learning Centre (LC) and primarily delivered by external vendors, who in turn are introduced to the City's ethical values through separate "kick-off sessions" where core values are discussed. Furthermore, all training courses and programs are subject to periodic review.

The LC offers New Employee Orientation sessions for new employees and coordinates training for summer students, which includes a section on the Code of Conduct. The LC has also recently launched a mandatory training program for new managers, which also covers the Code of Conduct. A different member of the City's Executive Management Team delivered each respective section of the new manager training, with the City Clerk and Solicitor delivering the section on the Code of Conduct. At the time of writing, the new manager training has been offered once but the LC is planning on offering it on a more regular basis (e.g., semi-annually). At the time of the audit conduct, the LC was also looking into developing a similar training program for new supervisors. In addition to these mandatory training programs, the LC offers several other courses on demand to meet more specific departmental needs. Some of these courses also have an ethics-related focus such as Respectful Workplace Training, Conflict Resolution Basics and Supervising/Managing in a Unionized Environment.

Furthermore, one department, Public Works, has included many of these courses into a departmental-specific training program for employees to reach the supervisory level.

Other than the courses offered by the LC, since the implementation of the current Code of Conduct, the LLRB has also been offering and providing workshops regarding the Code of Conduct. These workshops are tailored to the needs of the branch manager requesting the workshop.

Although there are several courses available, there is no mandatory requirement for all employees to regularly take training that focuses on ethics within the Public Sector or on the Code of Conduct. Moreover, long-time employees are not required to take regular "refresher" training related to the Code of Conduct. This presents a risk that employees may not fully understand management's expectations of them and could, over time, develop "bad habits" that are in violation of the Code of Conduct.

Regular training related to ethics and the Code of Conduct could be provided in a manner similar to the mandatory training on the Integrated Accessibility Standard Regulation (IASR) that the City was required to provide in 2013. The Integrated Accessibility Standard mandatory training is tracked for both e-learning and classroom training. Completion of mandatory training is tracked for both e-learning and classroom training with records for both uploaded semi-monthly into SAP, which is where the City's official training records are maintained. Managers can access SAP reports on an ad hoc basis, run training histories for their staff, and follow-up with reminders to their staff concerning overdue or missing training as required.

Recommendation 3

That the City develops, regularly reviews and revises training materials related to the Employee Code of Conduct and other ethical matters, and that this training is regularly delivered to all staff.

Management Response

Management agrees with this recommendation. Human Resources, in conjunction with the Litigation and Labour Relations Branch, will develop a Code of Conduct eLearning module by Q4 2014. The module will be delivered regularly to all staff.

The City currently offers several courses with ethics-related material in its content, including the New Employee Orientation program for newly hired employees. In addition, in 2013 the City introduced mandatory training sessions for newly promoted/hired supervisors and managers: 'New Manager Orientation' and 'New Supervisor Transition'. The sessions are delivered by the City's executives and managers and both include a section on the Code of Conduct.

Also, Senior Management Committee has approved additional mandatory training for newly promoted/hired supervisors and managers. The curriculums include 'Supervising/Managing in a Unionized Environment' and 'Leading a Diverse Workforce' which is the supervisor/manager version of 'Respectful Workplace Training'. These mandatory curriculums will come into effect June 1, 2014.

All training courses and programs are subject to periodic review. In future reviews, Human Resources, in conjunction with the Litigation and Labour Relations Branch, will seek to incorporate a component of the Code of Conduct in every training session/manual that the City offers where feasible.

1.1.5.4 Communications

As per the mature EMFW, the communications element should include a plan that sets out the frequency of communications and messaging to employees regarding expected behaviours. It should also include dedicated communications products that provide guidance to employees when faced with an ethical issue.

Along with setting out the expected behaviours of employees, the Code of Conduct acts as a key communications tool. It refers to a suite of ethics-related corporate policies that set out roles and responsibilities, defines expectations of employees and management, and provides guidance to manage prominent ethical issues such as fraud, harassment, unfair hiring practices, acceptance of gifts and hospitality and the misuse of organizational property. Based on our review, which included an

assessment of the policies against the Common Ethics Provisions⁷ as published by the Ethics Resource Center, no significant gaps were identified within the Code of Conduct or its related policies.

Furthermore, the City has a requirement that each policy and procedure, including the Code of Conduct, be reviewed as necessary, but at least every three years. The Corporate Business Services branch (CBS) within the City Manager's Office oversees the review process; however, the department that is responsible for the policy or the procedure (i.e., the "owner" of the policy) conducts the review itself. CBS has established procedures and templates to support and guide the review processes. This review process is intended to ensure that corporate policies and procedures remain relevant and current.

However, the audit found that not all policies referenced by the Code of Conduct have been reviewed within the last three years. The following table outlines the corporate policies referenced by the Code of Conduct, and the scheduled year for its next review based on the Corporate Administrative Policies and Procedures Inventory provided by CBS in August 2013.

⁷ The Common Ethics Provisions are described at <http://www.ethics.org/resource/common-ethic-code-provisions>

Table 3: Scheduled Year for Review of Corporate Policies

No.	Corporate Policy	Year of Next Scheduled Review
1	Disposal of Fleet Vehicles and Equipment	2011 (overdue)
2	Purchasing By-law	2014
3	Concurrent Employment	2016
4	Gifts and Entertainment	2010 (overdue)
5	Hiring and Employment of Family Members	2010 (overdue)
6	Corporate Vehicle and Equipment Idling	2014
7	Equity and Diversity	2015
8	Hospitality (Internal - for City Employees)	2014
9	Personal Use of City Vehicles	2015
10	Petty Cash Funds and Change Floats	2010 (overdue)
11	Responsible Computing	2014
12	Violence in the Workplace	2014
13	Harassment in the Workplace	2014
14	Access to Employee Files Procedures	2015
15	Re-employment	2015
16	Discipline – Corporate Policy	2010 (overdue)
17	Fraud and Other Similar Irregularities	2010 (overdue)

As demonstrated in Table 3 above, 6 of the 17 policies referenced by the Code of Conduct are overdue for review. Another relevant policy, pertaining to Police or Criminal Record Checks, was also found to be overdue as it had not been reviewed in the last three years. This presents a risk that these policies may be inconsistent with the Code of Conduct and other related policies and that they may have become irrelevant in its current form over time.

Several communications materials have also been developed to complement the Code of Conduct, including booklets, posters, and a series of Questions and Answers posted on Ozone, the City’s Intranet. Furthermore, LLRB has also occasionally included articles in the City’s interactive employee newsletter, “In the Loop”, about ethics-related topics at select times of the year (e.g., avoiding decisions based on nepotism prior to the summer student hiring period). Based on the survey results, the vast majority of employees are aware of (95%) and have read (84%) the Code of Conduct, suggesting that the City’s communications efforts have been effective at creating awareness among employees of their expected behaviour.

However, as discussed earlier, survey results also demonstrated that there is some confusion among employees on where to obtain assistance with managing ethical dilemmas, as 26% of respondent disagreed that they knew where to go when faced with an ethical dilemma and 8% of respondent who provided written comments (29/358) indicating that additional training and/or communications regarding ethics-related matters and how to manage them are required. This suggests that future communications may need to emphasize the avenues available to employees to manage ethical dilemmas, when needed. In addition to these corporate-level policies and communications efforts, interviewees identified other department- or branch-specific communications mechanisms that have been put in place, such as departmental town hall meetings, lunch and learns and peer support groups to discuss ethics-related topics,

While the City has established several communications tools and materials, the majority of ethics-related communications are conducted ad-hoc or on-demand (e.g., “In the Loop” newsletter articles). Furthermore, there is no overarching communications strategy or approach that sets out the frequency of communications and messaging to employees. This presents a risk in that ethics-related messaging may become inconsistent across the City over time.

Recommendation 4

That the City ensures that all corporate policies and procedures referenced by the Code of Conduct are regularly reviewed and revised as necessary, but at least every three years to ensure that these remain current, relevant, and align with the Code of Conduct.

Management Response

Management agrees with this recommendation.

The City’s existing Corporate Administrative Policy Framework requires that all corporate administrative policies and procedures, including the Code of Conduct, be reviewed every three years unless there is a requirement for more frequent review due to legislative or operational requirements. The Corporate Programs and Business Services Department does and will continue to coordinate the policy review cycle; assist policy owners by consulting on quality, appropriateness and consistency of policies, and report to the Executive Committee on the annual policy review status.

Three policies (Discipline; Hiring and Employment of Family Members; Petty Cash Funds and Change Floats) noted as overdue for review have been revised since the time of the audit and the remaining three are in the review and consultation stages. They are expected to be updated by Q4 2014. The Police

or Criminal Record Check Policy is currently being revised and is also expected to be updated by Q4 2014.

Recommendation 5

That the City develops a coordinated and standardized communications strategy that sets out the messaging, mechanisms and frequency of communications related to the Employee Code of Conduct and other ethical matters for all City employees.

Management Response

Management agrees with this recommendation.

Standardized messaging on ethics-related matters will be developed by Labour Relations in consultation with Corporate Communications to ensure consistency across the various communication channels (e.g. Management Bulletins, *In The Loop* Employee Newsletter, Ozone resources). This communications strategy, which will be developed by Q4 2014, will be reviewed annually.

1.1.5.5 Employee Awareness

A mature EMFW includes an element whereby an ethics component is included in employees' performance evaluations which requires that all employees attest on an annual basis that they comply with the Code of Conduct.

The audit involved a review of staffing procedures at the City. We found that candidate reference checks are to be conducted for every candidate to be hired. The reference checks are usually conducted by the hiring manager or they can use an external service provider called BackCheck. In addition, the City has a policy requiring Police or Criminal Record checks on job applicants applying for *designated* positions where it has been established that the check is a bona fide occupational requirement of the position. It also applies to current employees, to the extent such a check was an original condition of employment, who must renew their check at least every five years or more frequently as determined by their department. Managers/Departments are required to identify positions which require a Police or Criminal Record Check within their operations and for completion/update of police or criminal record checks for employees/applicants.

The audit also found that exit interviews are offered to every full-time continuing and part-time continuing employee who resigns from the City as well as those individuals retiring from the City and a random sample of summer students. An external company, Exit Check, conducts them and then provides reports to the Human Resources Department (HRD).

The City also has practices in place to ensure that employees are aware of and attest that they comply with the Code of Conduct. Notably, all new hires are

expected to attest compliance with the Code of Conduct electronically when they accept their offer of employment. In addition, there is an expectation, as set out in the Performance Development Program Guidelines, that all full-time employees complete a performance evaluation called an Individual Contribution Agreement (ICA) on an annual basis.

ICAs include two major areas of performance evaluation: what the employee does (performance factors), and how they behave (core behaviours/leadership competencies) while performing their duties. HRD develops and updates the ICA templates and departments/branches are permitted to customize the templates for their own needs. The most recent ICA templates include a section on the employee's adherence to the Code of Conduct as well as other legislative regulations and corporate policies and procedures. Furthermore, the City Manager sends a reminder to all managers via an annual Management Bulletin to discuss the Code of Conduct with employees at ICA completion time. Employees are expected to complete the ICAs in consultation with their direct supervisor.

Despite these expectations, results from employee file testing demonstrated that not all full-time employees are completing ICAs. We conducted testing on a random sample of 100 full-time employee files, which included an approximate proportional representation across 10 union and non-union groups. Of the 100 files, 51 did not include an ICA. Generally, it was observed that employees working in an office setting were more likely to complete ICAs than employees working in the field (i.e., maintenance staff, garage staff, etc.). Furthermore, of the 49 files that did include an ICA, only 33 (or 67%) included an assessment on the employee's adherence to the Code of Conduct. Where an ICA was provided but did not include reference to the Code of Conduct (in 16 employee files), it was observed that the ICA was based on an out-dated template that typically had been customized for departmental/branch needs.

Overall, the testing results indicate that not all full time employees are completing ICAs annually, and of those who are completing them, not all are using the most up-to-date templates. As such, only a fraction of full time employees are being assessed annually on their adherence to the Code of Conduct. These results also demonstrate that some direct supervisors are not using the performance evaluation process as a means to remind employees of the importance of adhering to the Code of Conduct relative to other aspects of their positions.

Recommendation 6

That the City ensures that all full-time employees annually complete Individual Contribution Agreements using the most recent templates that include a section referencing their adherence to the Code of Conduct.

Management Response

Management agrees with this recommendation.

The City requires all full-time employees to complete an Individual Contribution Agreement (ICA) on an annual basis with the exception of Transit Operators who are on an 18-month cycle. At the end of each year the City Manager issues a Management Bulletin reminding managers and supervisors of the requirement to complete ICAs for all applicable employees.

The current method for tracking completion of ICAs is to conduct random file audits. The City is in the process of sourcing an automated Performance Management Solution for implementation in 2014 and anticipates that this will be completed by Q1 2015. The solution will house up-to-date ICA templates, which include a section referencing adherence to the Code of Conduct, as well as have the ability to track ICA completion status in order to follow up with managers in instances where ICAs have not been completed.

1.1.5.6 Ongoing Assessment of the Ethical Climate

The risk management element within the mature EMFW includes an expectation that tools and targets have been established to assess the ethical climate on an ongoing basis. This is intended to provide information to adjust the EMFW for continuous improvement and to meet any changing needs.

The City's primary means to collect feedback from employees is through the Employee Engagement Survey (EES). The City undertakes the EES to receive opinions from employees on several areas including personal work environments, working relationships with supervisors and colleagues, and overall perceptions of the organization as a whole. The ServiceOttawa group administers the EES every two years; it has done so three times thus far, in 2009, 2011, and 2013. *The response rate for the 2013 EES was 41%.*

We conducted a review of the questions used in the 2013 EES and found that several are associated with ethical issues. It included questions related to the fairness of hiring practices employed, harassment in the workplace, the treatment of employees by supervisors and colleagues and the behaviours displayed by senior management. While these questions may provide valuable information on specific ethical issues, they were not designed to assess the ethical climate of the City at a holistic level.

It should be noted that the City also collects and maintains other useful ethics-related information including statistics from the Fraud and Waste Hotline and disciplinary actions taken. Although this information may assist in identifying trends related to ethical issues arising, it does not provide sufficient detail to assess the

overall ethical climate as it does not reflect the perceptions and experiences of all employees.

As such, the City has limited available knowledge to assess the corporation's ethical climate and the overall effectiveness of the Framework on an ongoing basis. However, the EES could be modified and used for this purpose. This would involve the development of a set of standard questions to be included in subsequent surveys that are intentionally designed to assess the ethical climate.

Recommendation 7

That the City develops standard questions to include in future Employee Engagement Surveys to assess the overall ethical climate of the City on an ongoing basis.

Management Response

Management agrees with the recommendation to enhance the Employee Engagement Survey to incorporate this key area of insight. Management will develop standard questions by Q3 2014 in order to assess the overall ethical climate of the City, in each future survey.

1.1.5.7 Roles and Responsibilities

The roles and responsibilities associated with each of the elements of the mature EMFW were assessed to develop overall findings related to roles and responsibilities.

Several groups within the City have taken on responsibilities associated with the EMFW. For example, the City Clerk and Solicitor's Office take ownership of the Code of Conduct and most communications elements, the OAG has responsibility for Fraud and Waste Hotline reports, and the Human Resources Department (HRD) is responsible for facilitating employee awareness through the hiring process and Performance Development ICA template process. They also take a lead role with regards to training through various Learning Centre (LC) courses. However, for the most part, these responsibilities and the relationships between departments regarding ethics management are not formally documented.

Based on the interview results, it is generally understood throughout the City that the City Clerk and Solicitor's office and LLRB has taken the lead on the Code and Conduct and on most aspects related to ethics. However, these responsibilities have not been formally defined and documented. There is no mention of leading ethics-related initiatives within the job descriptions of either the City Clerk and Solicitor or managers within LLRB. As such, it appears that they have taken on these responsibilities in addition to their documented roles and responsibilities; it is unclear what the extent of their involvement will be on a continuous basis.

As such, the City should define and establish a formal Ethics Function with a mandate of being the lead of the City's EMFW. Responsibilities would involve ensuring consistent messaging across the City by coordinating communications, training and risk management activities. The City Clerk and Solicitor and LLRB have already assumed ownership of most of these responsibilities. As such, it would be logical to establish the Ethics Function within LLRB. This would involve formalizing and documenting the ethics-related roles and responsibilities the branch has already assumed to avoid any confusion among City employees of LLRB's role as the "owner" of the Framework.

Furthermore, the City's EMFW is not formally defined and documented. Rather, the City has a number of ethics-related components in place that are undertaken by various groups, but they have not been formally integrated. The City's EMFW should be formally defined and documented to minimize any potential confusion among departments/branches on roles and responsibilities related to ethics management. The recommended Ethics Function would be well positioned to take ownership of the formalized framework and to take the lead on an ongoing basis for coordinating and aligning ethics-related activities.

Recommendation 8

That the City formalizes the responsibilities of an Ethics function that would serve to define, lead and support the effectiveness and ongoing maturation of the City's EMFW. This function would be responsible for such items as tailoring guidance on the Code of Conduct, coordinating communications and training materials, and proactive management of City wide risks to ethics-related objectives.

Management Response

Management agrees with this recommendation.

A formalized Ethics function would most appropriately rest within the City Clerk and Solicitor Department as part of the open and accountable governance model. The responsibilities of this function could include: responding to questions relating to ethical matters; contributing to the development and implementation of ethics-related communication strategies and training programs; and informing all City employees on the tools that are available to help them perform and lead with integrity. This function would also serve as one of the main points of contact for staff to report ethical violations and, in conjunction with the Office of the Auditor General, would ensure that reported concerns are promptly and thoroughly investigated, with corrective action and discipline when appropriate.

Management will include the proposal for this function and FTE for consideration during the development of the Term of Council Strategic Priorities and Draft 2015 Operating Budget, to be recommended to Council in Q1 2015.

1.1.6 Potential Savings

A strong EMFW reduces incidents of non-compliance, which have direct negative economic impacts (e.g., fraud, abuse of assets) and may require costly investigations. Responding to the recommendations in this audit will assist management in strengthening the City's EMFW and reducing costs related to incidents of non-compliance. The audit identified two areas in particular that represent further opportunities for savings.

First, mandatory regular training (recommendation 3) on the Code of Conduct and other ethical matters will increase employees' understanding of expected behaviours and potential consequences of not adhering to those expectations, thereby decreasing the number of violations by employees. This will in turn decrease the amount of effort required by managers and LLRB for disciplinary matters. As such, managers will be able to dedicate more of their efforts towards core business process and service delivery.

Secondly, the establishment of an Ethics Function and formally defining the Ethics Management Framework (recommendation 6) would decrease the likelihood of confusion regarding roles and responsibilities and reduce potentially duplicated or conflicting activities.

1.1.7 Conclusion

The City of Ottawa has a number of effective components that support its EMFW. Specifically, the City Clerk and Solicitor's active involvement in the design and rollout of the Code of Conduct has supported both the credibility and understanding of the Code across the City. In addition, the Fraud and Waste Hotline is a mechanism for reporting alleged violations. A number of components could also be more formally standardized, including training requirements, communications activities and regular assessments of employees' adherence to the Code of Conduct. The City also requires the means to regularly assess the ethical climate on an ongoing basis in order to continuously improve the Framework and adjust it to meet changing needs.

Finally, responsibilities associated with many of these components reside with various groups throughout the City. The establishment of an Ethics Function to define and strengthen the City's Ethics Management Framework, including tailored guidance on the Code of Conduct, coordinated communications and training materials will help to clarify roles and responsibilities.

1.1.8 Acknowledgement

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

Appendix A: Description of Elements and Examples of Components of an Ethics Management Framework

(Not an all-encompassing list)

Seven Elements of a Mature Ethics Framework:

1. Policies and Guidelines:

Suite of ethics-related corporate policies that set out roles and responsibilities, defines expectations of employees and management, and provides guidance to manage prominent ethical issues such as fraud, harassment, unfair hiring practices, acceptance of gifts and hospitality and the misuse of organizational property, etc.

2. Communications:

- Messaging on ethics; code of conduct; corporate values;
- Several communications materials complement the Code of Conduct: booklets, posters, and a series of Questions and Answers posted on Ozone;
- Litigation and Labour Relations Branch (LLRB) has occasionally included articles in the City's employee newsletter, "In the Loop", about ethics-related topics at select times of the year (e.g., avoiding decisions based on nepotism prior to the summer student hiring period); etc.

3. Learning and Training:

- Training offered by the City Clerk and Solicitor to develop knowledge and skills to enhance ethics;
- Orientation sessions for new and seasonal employees (such as summer students), which includes a section on the Code of Conduct - Learning Centre;
- Mandatory training program for new managers and supervisors, which also covers the Code of Conduct - Learning Centre;
- In addition to these mandatory training programs, the LC offers several other courses on demand to meet more specific departmental needs. Some of these courses also have an ethics-related focus such as Respectful Workplace Training, Conflict Resolution Basics and Supervising in a Unionized Environment; etc.

4. Leadership:

- Tone at the top;
- Communications issued by the City Manager promoting the Code of Conduct;

- Training offered by the City Clerk and Solicitor to develop knowledge and skills to enhance ethics; etc.

5. Employee Awareness:

- Employees' performance evaluations that requires that all employees attest on an annual basis that they comply with the Code of Conduct;
- Reference checks conducted for every candidate prior to hiring;
- A post-employment code that sets out expected behaviours of former employees; etc.

6. Risk Management:

- The risk management element within the mature EMFW includes an expectation that tools and targets have been established to assess the ethical climate on an ongoing basis;
- The City's primary means to collect feedback from employees is through the Employee Engagement Survey (EES). The EES surveys employees on several areas including personal work environments, working relationships with supervisors and colleagues, and overall perceptions of the organization as a whole;
- Identification, assessment, and prioritization of risks (e.g., City's Enhanced Risk Management Policy); etc.

7. Recourse Mechanisms:

- Reporting to direct supervisors or managers is the first and most widely encouraged avenue for employees to report a violation or to seek advice;
- Reporting incidents to the Litigation and Labour Relations Branch (LLRB), the Human Resources Department (HRD), Union Heads and the Office of the Auditor General (OAG);
- Anonymous report mechanism for employees and public for raising concerns (e.g., hotline);
- Reporting and whistleblower protection; etc.

Key Components present at the City of Ottawa:

1. Code of Conduct:

- Comprehensive Employee Code of Conduct, revised September 2010
- Applicability of the Code of Conduct; etc.

2. Tone at the Top:

- City Manager's;
- City Clerk and Solicitor;
- Senior managements; etc.

3. Fraud and Waste Hotline:

- Fraud and Other Similar Irregularities Policy;
- Fraud and Waste Investigation Procedures;
- Reporting and whistleblower protection; etc.

4. Monitoring Activities:

- Annual AG's Fraud and Waste report; etc.

5. Suite of Corporate Policies:

- Purchasing Bylaw;
- Ethical Purchasing Policy;
- Equity and Diversity Policy
- Gift and Entertainment Policy;
- Hospitality (Internal) for City Employees Policy;
- Hiring and Employment of Family Members Policy;
- Concurrent Employment Policy;
- Harassment Policy;
- Violence in the Workplace; etc.

6. Awareness Raising Mechanisms:

- Communications issued by the City Manager promoting the Code of Conduct;
- Training offered by the City Clerk and Solicitor to develop knowledge and skills to enhance ethics;
- Annual declaration in ICA of understanding and being fully compliant with the Code of Conduct; etc.

7. Support for Management and Employees:

- Employee Assistance Program (EAP);
- Diversity and Inclusion Group; etc.

8. Learning Centre Activities:

- New Employee Orientation;
- New Manager Orientation;
- New Supervisor Transitions;

- Other Learning Centre Courses that include an element of Code of Conduct; etc.

9. Hiring Procedures:

- Reference and background checks as part of hiring procedures;
- Hiring and Employment of Family Members Policy;
- Concurrent Employment;
- New Employee Checklist;
- Re-employment; etc.