



Office of the Auditor General / Bureau du vérificateur général

**FOLLOW-UP TO THE 2005 AUDIT OF THE
MANAGEMENT CONTROL FRAMEWORK**

2009

**SUIVI DE LA VÉRIFICATION DU CADRE DE
CONTRÔLE DE GESTION DE 2005**

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EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2005 Audit of the Management Control Framework was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2005 audit included:

- The creation of a Corporate Planning and Performance Reporting function is a positive step;
- Centres of Expertise and Service Level Agreements, by which internal support services are delivered, are not monitored or adhered to;
- A financial management control framework is required that clearly defines accountabilities, control objectives and risks;
- There is a need for an integrated risk management process to address overall corporate risk;
- The City does not have a corporate policy framework; and,
- The Information Technology Services strategy is not linked to the Corporate Plan.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

| CATEGORY | % COMPLETE | RECOMMENDATIONS | NUMBER OF RECOMMENDATIONS | PERCENTAGE OF TOTAL RECOMMENDATIONS |
|------------------------|------------|-----------------|---------------------------|-------------------------------------|
| LITTLE OR NO ACTION | 0 – 24 | - | - | - |
| ACTION INITIATED | 25 – 49 | 2, 4 | 2 | 40% |
| PARTIALLY COMPLETE | 50 – 74 | 5 | 1 | 20% |
| SUBSTANTIALLY COMPLETE | 75 – 99 | 1 | 1 | 20% |
| COMPLETE | 100 | 6 | 1 | 20% |
| TOTAL | | | 5 | 100% |

Conclusion

Overall, it would appear that there has been moderate progress to address the issues and recommendations contained in the 2005 Audit of the Management Control Framework. In particular, the planning framework is not fully integrated although there is a clear direction to complete the integration during this term of Council. Some restructuring and reassignment of responsibilities has had an impact on the City's ability to fully implement the Integrated Planning Framework.

Although there has been significant progress in assessing the gaps in services and accountabilities of the Centres of Expertise, little has changed with respect to documented service levels and accountabilities. The issues regarding the performance reporting and accountabilities still exist. That being said, in 2008, the City embarked on a restructuring and movement to a Shared Services Bureau approach in order to address these gaps and improve service delivery.

The 2005 audit recommendation with respect to integrated risk management had some impact. We recommended that the City implement an Enterprise Risk Management Framework whereby risks across the City are assessed and evaluated. Although management disagreed with this recommendation at the time, the City has moved forward with an Enhanced Risk Management Framework. Although this is not considered to be best practice in risk management, improvement and elevated importance of risk management is evident.

The implementation of a new Corporate Policy Framework is underway and has the elements of an effective framework. However, much of this work has been undertaken relatively recently through the new Organizational Development and Performance Department and remains in draft form. There is little evidence that the City has put structures in place to ensure that departmental policies are aligned with corporate policies. Some additional work is required in order to realize a fully integrated Corporate Policy Framework.

The Information Management/Information Technology framework has been developed and reflects the corporate priorities identified in the City Strategic Plan. The decision-making tools utilized by Information Technology Services are advanced and address some previous concerns regarding appropriate investments in information technology. In order to be fully effective, tighter integration with the City Strategic Plan and Departmental Business Plans is required along with an approved decision-making matrix for priority setting.

Management's response to the original audit indicated that many audit recommendations would be implemented in 2006 and 2007. In representations provided at the end of 2008, a significant amount of the recommendations had not been implemented, with plans to complete in 2009, three years after the original audit was released. Many of the planned activities for 2009 were not completed within the timeframes outlined in the representations or at the time of the follow-up audit. A formal project plan with deliverables, milestones and responsibilities for outcomes would be beneficial.

The City of Ottawa continues to strive to improve its Management Control Framework and has made some progress. Most notably, the integration of planning activities and performance measurement has seen some significant attention. The City is still struggling with the challenge of providing shared services from the Centres of Expertise and has only begun to address the issues of balance between service delivery and controls. The success of the new Shared Services organization

is of paramount importance to improving the City's Management Control Framework as these resources are key advisors and support for departmental managers. The City is also still in its infancy with respect to risk management practices as well as policy development. Concentration in these areas over the next period is important to ensure that appropriate controls are in place to ensure appropriate management practices and resources are in place to ensure compliance, program effectiveness and financial integrity throughout the organization.

Acknowledgement

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

RÉSUMÉ

Introduction

Le Suivi de la vérification du cadre de contrôle de gestion de 2005 était prévu dans le Plan de vérification du Bureau du vérificateur général de 2009.

Les constatations principales de la vérification initiale de 2005 sont les suivantes :

- la création d'une fonction de planification municipale et de l'évaluation du rendement est un pas dans la bonne direction;
- les centres d'expertise et les ententes sur les niveaux de service, par lesquels les services de soutien internes sont offerts, ne sont pas contrôlés et en général, on ne s'y conforme pas;
- un cadre de contrôle de gestion financière qui définit clairement les responsabilités, les objectifs de contrôle et les risques est nécessaire;
- il semble y avoir un besoin pour un processus de gestion intégrée du risque qui tiendra compte des risques dans l'ensemble;
- la Ville ne possède pas de cadre de politiques municipale;
- la stratégie des Services de technologies de l'information n'est pas reliée au plan directeur.

Sommaire du degré d'achèvement

Le tableau ci-dessous présente notre évaluation du degré d'achèvement de chaque recommandation à l'automne 2009 :

| CATÉGORIE | POURCENTAGE COMPLÉTÉ | RECOMMANDATIONS | NOMBRE DE RECOMMANDATIONS | POURCENTAGE DU TOTAL DES RECOMMANDATIONS |
|------------------------------|----------------------|-----------------|---------------------------|--|
| PEU OU PAS DE MESURES PRISES | 0 - 24 | - | - | - |
| ACTION AMORCÉE | 25 - 49 | 2, 4 | 2 | 40 % |
| COMPLÉTÉE EN PARTIE | 50 - 74 | 5 | 1 | 20 % |
| PRATIQUEMENT COMPLÉTÉE | 75 - 99 | 1 | 1 | 20 % |
| COMPLÉTÉE | 100 | 6 | 1 | 20 % |
| TOTAL | | | 5 | 100 % |

Conclusion

De façon générale, il semble y avoir eu des progrès modérés pour ce qui est d'aborder les enjeux et les recommandations contenus dans la vérification du cadre de contrôle de gestion de 2005. Notamment, l'intégration du cadre de planification n'est pas complétée, malgré l'orientation claire visant à accomplir l'intégration durant le terme actuel du Conseil municipal. Les efforts de restructuration et de

remaniement des responsabilités ont eu une incidence sur la capacité de la Ville à mettre en place l'ensemble du cadre de planification intégré.

Bien que des progrès notables aient été accomplis au chapitre de la détermination des lacunes dans les services et les responsabilités des centres d'expertise, peu de choses ont changé en ce qui concerne les niveaux de service et les responsabilisations documentés. Les enjeux touchant la présentation de rapports sur le rendement et la responsabilisation persistent. Cela étant, en 2008, la Ville a entrepris une restructuration et une transition vers une approche axée sur le Bureau de services partagés dans le but de remédier à ces lacunes et d'améliorer la prestation de services.

La recommandation émanant de la vérification de 2005 portant sur la gestion intégrée du risque a eu une certaine incidence. Nous avons recommandé que la Ville mette en place un cadre de gestion du risque d'entreprise qui permettrait de mesurer et d'évaluer les risques dans l'ensemble de l'administration municipale. Malgré le fait que la direction ait alors été en désaccord avec cette recommandation, la Ville a procédé à l'adoption d'un cadre amélioré de gestion des risques. Bien que cela ne soit pas considéré comme la pratique optimale dans le domaine de la gestion des risques, l'amélioration et l'attention accrue accordée à la gestion des risques sont indéniables.

La mise en place d'un nouveau cadre politique municipale est en cours et elle possède les caractéristiques d'un cadre efficace. Cependant, une bonne part de ce travail a été entreprise relativement récemment par le nouveau service Développement organisationnel et Rendement et en est encore à l'état d'ébauche. Peu d'éléments permettent d'affirmer que la Ville a mis en place des structures pour s'assurer que les politiques des services sont alignées avec les politiques municipales. Des travaux supplémentaires sont nécessaires pour réaliser un cadre politique municipal entièrement intégré.

On a élaboré un cadre de gestion de l'information/technologie de l'information qui reflète les priorités municipales définies dans le plan stratégique de la Ville. Les outils de prise de décision utilisés par les Services de TI sont perfectionnés et abordent quelques préoccupations exprimées auparavant sur les investissements adéquats dans les TI. Pour être pleinement efficace, une intégration plus poussée avec le plan stratégique de la Ville et les plans d'action des services est nécessaire, de même qu'une matrice de prise de décisions approuvée pour l'établissement de priorités.

La réponse de la direction à la vérification initiale a révélé que de nombreuses recommandations de la vérification seraient mises en œuvre en 2006 et 2007. Dans les représentations formulées à la fin de 2008, bon nombre de recommandations n'avaient pas été mises en place, mais on prévoyait les réaliser en 2009, trois ans après la publication de la vérification initiale. Plusieurs des activités prévues pour 2009 n'ont pas été accomplies dans les délais décrits dans les représentations ou lors

du suivi de la vérification. Un plan systématique du projet énumérant les éléments livrables, les jalons et les responsabilités à l'égard des résultats serait d'une grande utilité.

La Ville d'Ottawa poursuit ses efforts en vue d'améliorer son cadre de contrôle de gestion et a fait des progrès à ce chapitre. Plus particulièrement, l'intégration des activités de planification et la mesure du rendement ont fait l'objet d'une grande attention. La Ville lutte toujours avec le défi de fournir des services partagés depuis les centres d'expertise et commence seulement à aborder les questions d'équilibre entre la prestation des services et les contrôles. Le succès de la nouvelle organisation de services partagée revêt une importance primordiale pour améliorer le cadre de contrôle de gestion de la Ville, qui représente une précieuse source de conseils et de soutien pour les gestionnaires de services. La Ville en est toujours à ses premiers pas en ce qui concerne les pratiques de gestion du risque, tout comme l'élaboration de politiques. La concentration dans ces secteurs au cours du prochain trimestre est indispensable pour s'assurer que des contrôles adéquats garantissent la mise en place de pratiques de gestion et de ressources suffisantes pour assurer la conformité, l'efficacité des programmes et l'intégrité financière dans l'ensemble de l'organisation.

Remerciements

Nous tenons à remercier la direction pour la coopération et l'assistance accordées à l'équipe de vérification.

1 INTRODUCTION

The Follow-up to the 2005 Audit of the Management Control Framework was included in the Auditor General's 2009 Audit Plan.

The key findings of the original 2005 audit included:

- The creation of a Corporate Planning and Performance Reporting function is a positive step;
- Centres of Expertise and Service Level Agreements, by which internal support services are delivered, are not monitored or adhered to;
- A financial management control framework is required that clearly defines accountabilities, control objectives and risks;
- There is a need for an integrated risk management process to address overall corporate risk;
- The City does not have a corporate policy framework; and,
- The Information Technology Services strategy is not linked to the Corporate Plan.

2 KEY FINDINGS OF THE ORIGINAL 2005 AUDIT THE MANAGEMENT CONTROL FRAMEWORK

1. **Planning and Performance Management:** The City has recently introduced substantial and positive changes to modernize its planning and performance management framework. To be fully effective, the framework will need to continue to evolve to address the remaining deficiencies.
2. **Centres of Expertise:** The Centres of Expertise model is not properly supported by clearly defined expectations and performance reporting.
3. **Integrated Risk Management:** There is no enterprise-wide approach, or ability for the City to consistently assess the level of risk it faces across the organization, to aid in planning and priority setting.
4. **Policy Framework:** The policy framework within the City is fragmented.
5. **Information Management/Information Technology Strategy:** The City does not have a defined and approved information management/information technology strategy linked to corporate plans.

3 STATUS OF IMPLEMENTATION OF 2005 AUDIT RECOMMENDATIONS

3.1 Planning and Performance Management

2005 Recommendation 1

That the Chief Corporate Planning and Performance Reporting Officer assess the City Corporate Plan and process, and the budgeting process for 2006 once completed, to identify lessons learned and develop an action plan to address issues or outstanding items, including:

- The planned introduction of performance measures against the key objectives within the City Corporate Plan
- The planned linking of the budget to the City Corporate Plan
- incorporating capacity planning in the planning process and the plan
- explicitly identifying key assumptions used in the development of the plan

That the Chief Corporate Planning and Performance Reporting (CCPPR) Officer investigate the opportunity to integrate the Corporate Services priority setting tool more broadly within the corporate planning process.

That the Director of Employee Services monitor and report on the timely and appropriate completion of Individual Contribution Agreements (ICA) across the City.

2005 Management Response

Management agrees with these recommendations in principle. Plans for a post mortem of the City Corporate Plan (CCP) and related activities were established earlier in 2005, with post mortem workshops scheduled for early in Q1 2006. One of the specific questions addressed will be the link between the corporate planning process, the long-range financial plan and the budgeting process. Recommendations for changes to be considered in the next version of the CCP arising from the post mortem will be reviewed and signed off by the Executive Management Committee (EMC) in Q1 2006 and taken into account in the next refresh of the CCP, which will take place in late 2006.

In addition, in parallel with the CCP post mortem, the Office of the Chief Corporate Services Officer will conduct an assessment of the budget process, as it does each year, and bring forward any suggested changes to Council.

Management agrees with the recommendation regarding the planned introduction of performance measures against the key objectives within the City Corporate Plan. Work on these measures has already begun and a report on the proposed performance measurement and reporting framework was submitted to Council in Q1 2006.

Management will be linking the budget to the Corporate Plan as part of its Integrated Planning Framework. Following the next election, a “Term of Council” Plan will be developed and approved along with the next iteration of the City’s Long-Range Financial Plan. These will be the basis for multi-year budgeting and for the next version of the Human Resources Plan.

Management notes that capacity planning was included in the planning process and the plan. The planning process followed by Management specifically took capacity constraints into account. The feasibility of implementing each action item included in the CCP and Departmental Business Plans within the existing resource base was evaluated by the City department(s) involved. Where this was not possible, the additional resources required were highlighted and included in the costing of the plans that were submitted to Council. This is a simple, cost-effective approach to capacity assessment. If in future years Management sees that plans have been over committed, Management will re-assess the approach.

Management agrees with explicitly identifying key assumptions used in the development of the plan. This will be addressed through post mortem – see response above. This will be implemented as part of the CCP refresh that will take place in late 2006.

Regarding the recommendation that the CCPPR Officer investigate the opportunity to integrate the Corporate Services Priority setting tool, see response regarding capacity assessment above. As noted by the Auditor General, the Corporate Planning process was implemented recently and will evolve over time. Through mechanisms such as the post mortem we are taking a continuous improvement approach and will identify areas where the process can be improved. Management agrees with the recommendation regarding monitoring and reporting on the timely completion of Individual Contribution Agreements across the City by the Director of Employee Services. As noted in the Auditor General’s report, the City just established its Corporate Planning Framework in 2005. In the first year, we developed the City Corporate Plan and Departmental Business Plans. In subsequent years these will cascade down throughout the organization and branch and unit workplans aligned with the CCP and DBPs will be prepared. At that point the link between ICA’s and business plans will be clearly demonstrated. For the time being the requirement to establish ICA’s for all Management staff remains, but these are based on management accountabilities and negotiated objectives. Management will continue to remind all Branch Management of their responsibility to complete ICA’s for their management staff. At the end of the performance cycle Management will report on the number of ICA’s completed as compared to the number of employees eligible for the performance pay program. This information will be presented to the Executive Management Committee in Q2 of 2006.

Management Representation of the Status of Implementation of Recommendation 1 at December 31, 2008

Implementation of this recommendation is 100% complete.

A revised management response for the section marked with an asterisk above, was approved by the Council Audit Working Group on April 17, 2007 as follows:

“The City is embarking on a strategic priority setting session starting in April. Councillors will be setting the corporate priorities for the term of Council, which will become the City's Corporate Plan. The priority setting session will be based on a number of factors, including the City's financial ability/sustainability to pay and the availability of resources within the organization to complete the work. Once the session is over, the City will have to determine via an analysis if they require any additional resources and incorporate them as a budget pressure into the 2008 budget process. As well, the Centres of Expertises (COEs) will continue to develop tools to aid with capacity planning within the COEs. IT, CSPI and RPAM already have such tools in place.”

Council Strategic Planning Sessions concluded in June 2007 and the Strategic Directions document was approved in July 2007. Action items to achieve the strategic directions, including financial capacity needed for those action items, were generated and appeared in the City Corporate Plan tabled at Council on November 14, 2007. These were also included in the budget estimates tabled on that same date.

Management: % complete

100%

OAG's Follow-up Audit Findings regarding Recommendation 1

We are of the opinion that increased integration between all of the elements of the planning framework is still required and that the implementation is 75% complete. In particular, although the City has made a concerted effort to improve its Integrated Planning Framework since 2006, a stronger link between plans and performance reporting as well as Individual Contribution Agreements is still needed in order to enhance the management control framework. The creation of the new Organizational Development and Performance Department will likely provide the structure to make the improvements required.

We noted many inconsistencies between documentation and progress reporting. There is a clear disconnect between the planning documents and the reporting mechanisms. For example, the quarterly reports that are provided to Council refer to Strategic Branch Reviews but the goals are absent from that document. Other than the Annual Report, there is no single point of reference for Council or the public to access. The Annual Report, although very informative, is delivered well into the following year which provides little relevance in decision making in the current year.

With respect to the expanded utilization of the Corporate Priority Setting tool, no movement has been made to develop a similar tool outside Information Technology Services. That being said, the City has made some important and notable progress in its overall priority setting process. The involvement of Council at the beginning of term is an important step towards improved integrated planning.

With respect to Individual Contribution Agreements (ICAs), monitoring and reporting is sporadic and needs to be improved. It would appear that Human Resources have initiated tracking of ICAs for specific management groups. We were unable to determine the degree of completion based upon the data provided.

OAG: % complete

75%

Management Representation of Status of Implementation of Recommendation 1 as of Winter 2010

Management disagrees with the OAG's follow-up audit finding that the recommendation is 75% complete.

Significant progress has been made since 2006 to establish the key components of a corporate strategic planning framework and plans are in place to further evolve the integrated planning and performance process during the next term of Council.

In 2007, the City introduced a process whereby the strategic priorities of Council were identified and prioritized into a new City Strategic Plan, and a planning process that included multi-year budgeting and an annual review/refresh process. The 2007 - 2010 City Strategic Plan was formulated following extensive citizen input and provided direction for moving forward on a clear set of priorities. As part of the 2010 budget process, new Council-approved activities were identified for inclusion into a refreshed Corporate Strategic Plan and a supporting technology roadmap and Corporate Service Excellence Plan was presented to Council and was approved through the budget process. Departmental Service Excellence Plans will be completed by each Department in Q2 2010. Departmental plans include the capacity planning required to implement the directions in the Corporate Strategic Plan. The 2011-2014 strategic planning process will be determined by the new Council in 2011 and it will include the lessons learned from the planning activities in this term of Council. Integral to this new planning phase will be a focus on linkage of the performance management framework with the Corporate planning process, the Long Range Financial Plan, budgeting cycles, the People Plan, Technology Plan and the Service Excellence Plan.

Throughout 2010, an improved performance management regime will be developed and will link performance measures, goals and objectives with the strategic plans, service excellence priorities and decision-making processes, and will form the basis of the planning process for the new term of Council.

The City currently completes an annual report on the completion rate of Individual Contribution Agreements and plans are in place to initiate a periodic monitoring

process whereby spot checks or random audits would be conducted to confirm completion. In the longer term, consideration will be given to implementing technologies that would automate the completion of performance reviews.

Management: % complete

85%

3.2 Centres of Expertise

2005 Recommendation 2

That the City Manager ensure there is a review to update the Centres of Expertise Service Level Agreements, including definition of performance levels, monitoring requirements and approach for identifying and resolving issues or disputes.

2005 Management Response

Management agrees with this recommendation. A draft proposed process, addressing all of these elements, will be presented to Senior Management Team (SMT) at the January 2006 meeting. This project is a priority identified in the 2006 Corporate Services departmental business plan and will be included in the 2006 workplan of the Office of the Chief Corporate Services Officer.

Management Representation of the Status of Implementation of Recommendation 2 at December 31, 2008

Implementation of this recommendation is 75% complete. A project was initiated in 2008 to refine the shared services model so that it supports the City's commitment to service excellence and meets client service values. The project is being undertaken in three phases and will run over the course of a year. When will Phase III be complete?

Shared Services Review Phase I was completed in November 2008. A consultant was engaged to work with EMC and other key stakeholders to define the service delivery principles for the City. Phases two and three of the project will be led by the Director, Organizational Development & Performance and will involve the development and implementation of mechanisms to achieve the principles and concepts endorsed by EMC.

Shared Services Review Phase II is currently underway, and will be complete by Q1 2009. This scope of this project is to design and implement an improved service delivery model for shared services that builds on Phase 1 findings and recommendations and fully supports the corporate realignment that is currently underway. It will define the management organizational structure for the "Centres of Expertise" and will identify the roles and functions that will need to be included in the organizational structures of the service areas.

Shared Services Review Phase III will complete the full implementation of the Shared Services Model including a review of service level agreements, funding

models, and reporting frameworks. The implementation plan for Phase III is expected to be complete by the end of Q2 2009.

Management: % complete

75%

OAG's Follow-up Audit Findings on Recommendation 2

In our opinion, little to no progress has been made in this regard and the City is at most 40% complete. The City has made little progress in defining service levels for the Centres of Expertise (COE). In fact, only recently has the City undertaken major changes in the definition of service requirements, roles and performance standards of the COEs. As much of this work is recent, we are unable to determine if the move to a new, shared services organization will address the issues. The City faces significant challenges with respect to culture change and training. As a solid management control framework is dependent upon strong functional support, service level expectations are paramount for success.

The move to a new, shared services model may cause a setback in service improvement as it is well known that change of this magnitude and nature requires much effort and time. It is natural for staff to fear the loss of the past and fear the thoughts of the future. Often the first results of such change may seem negative as staff learn their new roles and form new relationships. Strong project management approaches and solid human resource practices will be required for success of this new endeavour. It is recommended that senior management monitor progress diligently including service levels between the business lines and COEs. Further, clear roles, responsibilities and expectations should be communicated throughout the process.

OAG: % complete

40%

Management Representation of Status of Implementation of Recommendation 2 as of Winter 2010

Management disagrees with the OAG's follow-up audit finding that action has been initiated to implement the recommendation but it is not yet partially complete.

The implementation of the new Shared Services Model is broad in scope and addresses more than the original audit recommendation. The model was evolved to build on the strengths and address the weaknesses of the former Centres of Expertise (COE) Model. The main objective of the new model is to build strong and effective working partnerships with clients, ensure a common understanding of the business need, establish a service culture with transparent and effective governance, and establish an ongoing process for measuring and reporting on results.

To support this transformation, a new Integrated Management Framework was established in March 2009, which clearly defines the roles and responsibilities of the Shared Services and client departments through newly established Relationship

Manager and Business Partner roles. Significant work has been done to ensure effective staffing of these roles, and the Steering Committee continues to meet regularly to oversee the progress.

The Business Partners and Relationship Managers are now in the process of negotiating service offerings, service volumes, and services standards. This work is currently underway as a part of the Service Excellence planning process and will be documented in the departmental Service Excellence plans at the end of Q2 2010.

Shared Service governance options have been developed, and once approved by the Steering Committee, will be implemented in Q2 2010. The governance model for Shared Services includes a process to identify issues, resolve and/or escalate disputes, establish priorities, and ensure adequate ongoing oversight and monitoring.

Management: % complete

60%

3.3 Financial Control Environment

2005 Recommendation 3

Recommendation no. 3 relates to financial control and is followed up in a separate audit, the Follow-up to the 2006 Audit of the Financial Control Environment.

3.4 Integrated Risk Management

2005 Recommendation 4

That the Chief Corporate Planning and Performance Reporting Officer introduce integrated risk management within the City, as part of the planning and performance management cycle. This would include such activities as:

- **development of an integrated risk management policy**
- **development of tools and approaches for risk management**
- **provision of risk management training**

2005 Management Response

Although Management agrees with the Auditor General's recommendation in principle, Management does not believe it would be practical to implement this recommendation at this point. The cost/benefit of implementing a full blown, organization-wide risk management initiative, as suggested by the Auditor General, is not clear, nor is it clear that this is a widely accepted best practice in municipal governance. Recent implementation of these types of programs in the private sector has been driven to a considerable extent by Sarbanes-Oxley requirements in the U.S. To Management's knowledge, in the few cases where Canadian municipalities have experimented with them, implementation has not been successful.

Management's priority at this point, from a management control framework perspective, is on rolling out the planning framework and developing and implementing the performance measurement and reporting framework, throughout the organization over the next 2-3 years. Nonetheless, certain steps Management is taking to enhance the Corporate planning process, such as the presentation of a comprehensive environmental scan, which will identify risks to be considered in developing the City Corporate Plan and Departmental Business plans, will address this issue.

Regarding the development of an integrated risk management policy management, Management believes that the Auditor General's observations in this area should take into account that the City has a risk management policy, which was approved by Council in 2001, confirms the City's commitment to sound risk management processes. Some of the specific measures that Corporate Services has taken to explicitly address risks in different areas are outlined in this policy. For example, risk management principles are explicitly applied in investment decisions, in decisions regarding insurance coverage and in providing and maintaining safe conditions in the workplace. In addition, risk management processes are also applied in other key areas. The Emergency Measures Unit has identified catastrophic risks that could impact the City and has developed a program/plan to address them. Moreover, on an ongoing basis, Public Works staff perform construction/maintenance project risk assessments and procedures have been adopted by the City to ensure that risks are reasonably transferred through the tender, contract and agreement process. Both Real Property Asset Management and Public Works and Services have adopted Comprehensive Asset Management Strategies that have been approved by City Council and that include inventories, gap analyses and strategies for decommissioning and rehabilitating infrastructure reaching the end of its lifecycle.

Management Representation of the Status of Implementation of Recommendation 4 at December 31, 2008

Implementation of this recommendation is 47% complete.

A business case for the potential implementation of an integrated risk management framework was completed in January 2007. CAWG considered the business case at its March 6, 2007 meeting and this item went forward to Council on May 9, 2007. As a result, CPPRO were to undertake the following to address the Auditor General's recommendation:

- a) Modify the existing risk management policy or develop a new Corporate integrated risk management policy by 2008.
- b) Introduce into its guidance for the preparation of branch business plans, a section that outlines the potential risks to the achievement of the branch objectives.

- c) Develop a template that can be used to capture the 3-5 most significant risks are addressed – this will be integrated with the branch business plan templates and will be made available in 2008 for the 2009 business planning cycle.
- d) Develop a course to be offered in the latter part of 2008 on risk management relating to the application of these concepts and the use of the template. This course will be offered to management staff involved in the evaluation of risk as part of the business planning process. It is estimated that the cost of policy development, training material development and delivery is \$150K, which will be included as a budget pressure for 2008.

As at December 2008, several actions have taken place to implement this recommendation: (include other actions from prior status updates?)

- a) City Council approved the permanent funding of \$120K for both the Enhanced Risk Management (ERM) program and the Coordinator, Corporate Risk Management position as part of the 2009 budget deliberations in December 2008.
- b) A new Corporate ERM - Enhanced Risk Management policy has been drafted and will be forwarded to Council for approval in Q2 2009. Once approval has been granted, the new policy will replace the 2001 Risk Management policy.
- c) The Coordinator, Corporate Risk Management continues to provide strategic advice and assistance to the Strategic Branch Review project. Specific assistance is rendered with the Risk Management Module to capture the three to five most significant risks per branch and identify how those risks will be addressed.
- d) A "Risk Review" of the Parks and Recreation Program Delivery function has been completed.
- e) An ERM Steering Committee has been formed and held its first meeting on November 13, 2008.
- f) The first ERM report to Council, which will include training aspects, is being drafted in addition to an implementation plan. It is expected to come forward in Q2 2009.
- g) Development of an ERM framework is also underway and is expected to be complete in Q2 2009.

Management: % complete

47%

OAG's Follow-up Audit Findings on Recommendation 4

We are of the opinion that the City is 25% complete in its implementation of risk management.

Considering that Management did not fully agree with the recommendations, some progress has been made under the leadership of the City Clerk and Solicitor. Through Council, a new position was created in order to provide advice and

coordinate risk management activities. However, this only occurred in late 2008. Consequently, little progress has been made to promote risk management from a corporate perspective. To date, training has yet to be provided to managers and risks are only beginning to form part of the decision-making processes. Further, managers have not been provided with tools to assist in risk assessments or developing risk profiles for their departments. At the date of the follow-up audit, the Enhanced Risk Management Policy remained in draft form and reporting relationships are being reviewed.

In our opinion, the Enhanced Risk Management approach being undertaken by management is a first step towards an improved management control framework. It is a positive step that risk management is beginning to gain attention at the City. However, it is recommended that the City continue towards an enterprise approach whereby there is an ongoing assessment of potential risks that are aggregated and facilitated at a corporate level. Integrated risk management should become embedded in the City's policies, practices and corporate strategies.

OAG: % complete

25%

Management Representation of the Status of Implementation of Recommendation 4 as of Winter 2010

Management disagrees with the OAG's follow-up audit finding that action has been initiated to implement the recommendation but it is not yet partially complete.

While the 2009 organizational changes produced a setback in the integration of branch planning, the realignment of the Corporate Risk Management function from Legal Services to ODP has resulted in increased risk awareness through improved integration with the corporate planning process.

Since 2008, four risk reviews have been completed and an additional two reviews are currently underway and will be completed in 2010. In addition, an ERM framework, tools and templates, have been developed including a Glossary, Risk Impact Measurement chart stating the City's tolerance for risk, and a "how to do a Risk Assessment" module. A new Corporate Enhanced Risk Management Policy has been developed and will be presented at CSEDC and Council in Q2 2010.

The Enhanced Risk Management framework incorporates tools and techniques to ensure a continuous, systematic and consistent process to understand, manage and communicate risks from an organization-wide perspective. Formal training will be developed and a communications strategy created and completed by Q4 2010 at which time, managers will be equipped with the knowledge on how to conduct a risk assessment as part of the Service Excellence departmental review process.

In 2010, each department will be tasked to develop a list of their 3 - 5 most significant risks together with how these risks will be mitigated/controlled, and SMC will conduct a risk assessment exercise to arrive at the enterprise-wide top risks.

*Management: % complete**75%*

3.5 Policy Framework

2005 Recommendation 5

That the Chief Corporate Services Officer complete plans for reviewing and updating corporate administrative policies and developing a new corporate policy framework, which should include a single point of access, common look and feel, the consolidation of by-laws, and defining a timetable for when the process will be completed. Departments should monitor their plans to ensure that the harmonization of operational policies and procedures are completed on a timely basis.

2005 Management Response

Management agrees. Plans are currently being developed within Corporate Administrative Policy and Performance Management (CAPP) for reviewing and updating Corporate Administrative Policies and developing a new corporate policy framework. This framework will be completed and presented to EMC for approval in Q4 2006.

In defining a timetable for when the overall policy update process will be completed, consideration has to be given to availability of resources. The same resources to complete work outlined in 4.2 COE, will be deployed to complete this work. The Management Advisory Committee chaired by the Chief Corporate Services Officer will prioritize the updating of policies.

By-laws are now consolidated on the City's Intranet, work being completed by these same resources.

With regard to departments monitoring of their plans to ensure timely harmonization of operational policies and procedures, management agrees but no specific changes or initiatives are required in response to this recommendation. As noted by the Auditor General, this responsibility rests with each department. CAPP will work with each department regarding Corporate Administrative Policy to share experience, tools and approaches, however operational policies and procedures at the sub-corporate level (Departmental or Branch) are the responsibility of those policy owners. The CAPP will monitor the implementation of the corporate framework and report on an annual basis to the Chief Corporate Services Officer.

Management Representation of Status of Implementation of Recommendation 5 at December 31, 2008

Implementation of this recommendation is 100% complete.

*Management: % complete**100%*

OAG's Follow-up Audit Findings to Recommendation 5

In our opinion, the City has made only moderate progress with respect to the development of a comprehensive, cohesive policy framework and the City is 50% complete in its implementation. Only just recently has the new process and framework been developed and communicated. Although some departments have already embraced the policy process, it is not consistently applied across departments. Further, no process is currently in place to ensure that policies and procedures within departments follow this new framework. It would appear that this aspect of the audit recommendations was not acted upon between 2007 and 2009. However, the utilization of the intranet to communicate new policies has been enhanced and will serve as an excellent mechanism to ensure a consistent approach to policy dissemination. The creation of the new Organizational Development and Performance Department with responsibility for corporate policy will likely provide the structure to ensure that policies follow the new framework.

OAG: % complete

50%

Management Representation of the Status of Implementation of Recommendation 5 as of Winter 2010

Management disagrees with the OAG's follow-up finding that the recommendation is partially complete.

A comprehensive Corporate Policy Framework was developed and provides for a systematic and consistent approach to the development, approval, implementation, monitoring of all City corporate policies as well as a 3-year review cycle process. The policy framework and accompanying user handbook was developed in collaboration with management and staff across the corporation.

The Organizational Development and Performance Department has developed and delivers, through the Learning Centre, staff training on Documenting Policy and Procedures. Information on the process of developing, approving, implementing and reviewing corporate policies and procedures is also available on Ozone along with the necessary contact information. A communications plan has been developed to supplement any additional information departments will require. This includes training for groups and opportunities for one-on-one consultations.

Corporate approval of the comprehensive Corporate Policy Framework, along with the dedicated position of Corporate Policy Coordinator ensures that all departments will consistently embrace the policy process and provide the needed standardized structure.

While the Organizational Development and Performance Department currently offers tools, templates and consultative advice in the development of departmental policy on an as requested basis. In 2010, ODP will examine the opportunities and impacts of standardizing processes for developing and monitoring all types of policy.

Management: % complete

100%

3.6 Information Management/Information Technology Strategy

2005 Recommendation 6

That the Chief Information Officer, supported by the service departments and administrative branches, follow through on plans to develop a City-wide information management/information technology strategy to support the City Corporate Plan, within a defined timeline.

Management Response

Management agrees with this recommendation. ITS initiated the development of a new IT Strategic Plan in the fall of 2004, replacing the original plan approved in 2000 by the Ottawa Transition Board. However, the new Plan was put on hold in 2005 following announcement of the City Corporate Plan and Departmental Business Planning exercise. ITS will complete the new IT Strategic Plan to support the City Corporate Plan by Q1, 2006.

Management Representation of the Status of Implementation of Recommendation 6 at December 31, 2008

Implementation of this recommendation is 100% complete.

Management: % complete

100%

OAG's Follow-up Audit Findings regarding Recommendation 6

We are satisfied that ITS has met the recommendations contained in the 2005 audit and agree that the implementation is complete. It is recommended that the next version of the ITS Strategic Plan be further aligned with the City Strategic Plan and follow the term of Council. The plan should also be formulated with input from departmental representatives and the clients that ITS serves.

OAG: % complete

100%

4 SUMMARY OF THE LEVEL OF COMPLETION

The table below outlines our assessment of the level of completion of each recommendation as of Fall 2009.

| CATEGORY | % COMPLETE | RECOMMENDATIONS | NUMBER OF RECOMMENDATIONS | PERCENTAGE OF TOTAL RECOMMENDATIONS |
|------------------------|------------|-----------------|---------------------------|-------------------------------------|
| LITTLE OR NO ACTION | 0 – 24 | - | - | - |
| ACTION INITIATED | 25 – 49 | 2, 4 | 2 | 40% |
| PARTIALLY COMPLETE | 50 – 74 | 5 | 1 | 20% |
| SUBSTANTIALLY COMPLETE | 75 – 99 | 1 | 1 | 20% |
| COMPLETE | 100 | 6 | 1 | 20% |
| TOTAL | | | 5 | 100% |

5 CONCLUSION

Overall, it would appear that there has been moderate progress to address the issues and recommendations contained in the 2005 Audit of the Management Control Framework. In particular, the planning framework is not fully integrated although there is a clear direction to complete the integration during this term of Council. Some restructuring and reassignment of responsibilities has had an impact on the City's ability to fully implement the Integrated Planning Framework.

Although there has been significant progress in assessing the gaps in services and accountabilities of the Centres of Expertise, little has changed with respect to documented service levels and accountabilities. The issues regarding the performance reporting and accountabilities still exist. That being said, in 2008, the City embarked on a restructuring and movement to a Shared Services Bureau approach in order to address these gaps and improve service delivery.

The 2005 audit recommendation with respect to integrated risk management had some impact. We recommended that the City implement an Enterprise Risk Management Framework whereby risks across the City are assessed and evaluated. Although management disagreed with this recommendation at the time, the City has moved forward with an Enhanced Risk Management Framework. Although this is not considered to be best practice in risk management, improvement and elevated importance of risk management is evident.

The implementation of a new Corporate Policy Framework is underway and has the elements of an effective framework. However, much of this work has been undertaken relatively recently through the new Organizational Development and Performance Department and remains in draft form. There is little evidence that the City has put structures in place to ensure that departmental policies are aligned

with corporate policies. Some additional work is required in order to realize a fully integrated Corporate Policy Framework.

The Information Management/Information Technology framework has been developed and reflects the corporate priorities identified in the City Strategic Plan. The decision-making tools utilized by Information Technology Services are advanced and address some previous concerns regarding appropriate investments in information technology. In order to be fully effective, tighter integration with the City Strategic Plan and Departmental Business Plans is required along with an approved decision-making matrix for priority setting.

Management's response to the original audit indicated that many audit recommendations would be implemented in 2006 and 2007. In representations provided at the end of 2008, a significant amount of the recommendations had not been implemented, with plans to complete in 2009, three years after the original audit was released. Many of the planned activities for 2009 were not completed within the timeframes outlined in the representations or at the time of the follow-up audit. A formal project plan with deliverables, milestones and responsibilities for outcomes would be beneficial.

The City of Ottawa continues to strive to improve its Management Control Framework and has made some progress. Most notably, the integration of planning activities and performance measurement has seen some significant attention. The City is still struggling with the challenge of providing shared services from the Centres of Expertise and has only begun to address the issues of balance between service delivery and controls. The success of the new Shared Services organization is of paramount importance to improving the City's Management Control Framework as these resources are key advisors and support for departmental managers. The City is also still in its infancy with respect to risk management practices as well as policy development. Concentration in these areas over the next period is important to ensure that appropriate controls are in place to ensure appropriate management practices and resources are in place to ensure compliance, program effectiveness and financial integrity throughout the organization.

6 ACKNOWLEDGEMENT

We wish to express appreciation to the staff and management for their cooperation and assistance throughout the audit process.