Ottawa

Office of the Auditor General

AUDIT OF THE MANAGEMENT

CONTROL FRAMEWORK

2005 Report

Chapter 3

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Introduction

The City of Ottawa is a large and complex organization:

- Responsible for a multitude of diverse activities
- Large annual budget of approximately $2 billion
- Approximately 12,000 full-time equivalent staff

The audit was undertaken for the purpose of identifying and assessing the key steps that City management uses to manage its operations. The objective of the audit was to conduct a high level assessment of the effectiveness of the management control framework in place at the City, to assess what is working well and what needs to be improved, identify recommended actions for improvement and identify key areas for further audit work.

The management control framework includes the City's resources, systems, processes, culture, structure, and tasks and how they support the achievement of the City's objectives. The scope of the audit addressed the management control framework in place in 2005, and was conducted on an organization-wide basis (excluding Ottawa Police Service).

Key Findings

Key findings for the audit are organized in the following categories:

- Planning and Performance Management
- Centres of Expertise
- Financial Management Control Framework
- Integrated Risk Management
- Policy Framework
- Information Management/Information Technology Strategy

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.

<u>Recommendation 1</u>

That the Chief Corporate Planning and Performance Reporting Officer assess the City Corporate Plan and process, and 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.

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 as 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

Centres of Expertise: The Centres of Expertise model is not properly supported by clearly defined expectations and performance reporting.

<u>**Recommendation 2**</u>

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.

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.

Financial Management Control Framework: The City's financial management control framework is fragmented. Control procedures, roles, responsibilities and accountabilities are set out in various ways, some formal, some informal. There is no formal framework that explicitly outlines the City's financial management control structure.

Recommendation 3

That the Chief Corporate Services Officer develop a formal financial management control framework that clearly defines financial management accountabilities, control objectives, risks and the related control processes/mechanisms that have been put in place to mitigate the risks. The roles and responsibilities as they relate to shared services (in particular, the Financial Support Units) should link to those set out in the Service Level Agreements (SLA) between Financial Services and client departments.

Management Response

Management agrees with the recommendation to develop an overall framework. If this framework is supposed to be broad and intended to describe general control objectives, levels of responsibility, overall control policies and philosophy, then this exercise is achievable in 2006, likely within existing resources. One specific issue that will be addressed, as part of the SLA updates noted in the response above, will be a clarification of the role of the Financial Support Units, so that services will be provided on a consistent basis and their role will be well understood Management will also establish parameters for review of transactions that will be consistently applied.

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.

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**

<u>**Management Response**</u>

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.

Policy Framework: The policy framework within the City is fragmented.

<u>**Recommendation 5**</u>

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.

> <u>**Management Response**</u>
>
> Management agrees. Plans are currently being developed within Corporate Administrative Policy and Performance Management (CAPPM) 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. CAPPM 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 CAPPM will monitor the implementation of the corporate framework and report on an annual basis to the Chief Corporate Services Officer.

Information Management/Information Technology Strategy: The City does not have a defined and approved information management/information technology strategy linked to corporate plans.

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.

General management response

We appreciate the positive comments made by the Auditor General regarding recent improvements we have made to key management processes, such as the introduction of the corporate planning framework, preparation and approval by Council of the first City Corporate Plan and the development of a performance measurement and reporting framework. As noted by the Auditor General, the management control framework has evolved considerably and we will continue to make further improvements. More specifically, in 2006 we will enhance certain important parts of the framework where there will be the greatest immediate benefits. These include:

- Enhancement of the City Corporate planning process and related activities based on a post mortem of the 2005 exercise;

- Preparation of a comprehensive environmental scan, which will identify risks to be considered in developing the City Corporate Plan and Departmental Business plans;

- Completion of the performance measurement and reporting framework, presentation of the framework to Council and implementation of the 1st key components;

- Updating of the Centre of Expertise Service Level Agreements;

- Establishment of a corporate policy framework, priorities and a timetable for policy revisions and update of selected, key policies; and

- Completion of the IT Strategic Plan

Conclusion

The City is taking significant strides to modernize its management control framework, to match the size and scope of its operations. The detailed observations section of the report includes many of the areas of strength or planned improvements that were identified during the course of the audit. That being said, the weaknesses in the management control framework summarized above reduce effectiveness and may place the organization at some risk over time. Detailed audit observations, including risks and recommendations for improving controls, are provided in Section 4 of this report.

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

RÉSUMÉ

INTRODUCTION

La Ville d'Ottawa est une organisation vaste et complexe :

- Elle est chargée d'une multitude d'activités diverses;
- d'un important budget annuel d'environ 2 milliards de dollars;
- d'un effectif d'environ 12 000 équivalents à plein temps.

La vérification a été entreprise afin de déterminer et d'évaluer les principales étapes utilisées par les gestionnaires de la Ville pour gérer ses activités. L'objectif de la vérification était d'effectuer une évaluation de haut niveau de l'efficacité du cadre de contrôle de gestion en place à la Ville; d'évaluer ce qui fonctionne bien et ce qui doit être amélioré; de déterminer les mesures recommandées pour l'amélioration, ainsi que les principaux secteurs qui doivent faire l'objet d'un travail de vérification plus poussé.

Le cadre de contrôle de gestion comprend les ressources, les systèmes, les processus, la culture, la structure et les tâches de la Ville, et la façon dont ceux ci servent à l'atteinte des objectifs de la Ville. La vérification a porté sur le cadre de contrôle de gestion en place en 2005, et elle a été effectuée dans toute l'organisation (à l'exception du Service de police).

PRINCIPALES CONSTATATIONS

Les principales constatations de la vérification sont regroupées dans les catégories suivantes :

- la planification et la gestion du rendement;
- les centres d'expertise;
- le cadre de contrôle de gestion financière;
- la gestion intégrée des risques;
- le cadre stratégique;
- la stratégie en matière de gestion de l'information et de technologie de l'information.

Planification et gestion du rendement : Récemment, la Ville a apporté des changements importants et positifs afin de moderniser son cadre de planification et de gestion du rendement. Afin d'être complètement efficace, le cadre devra continuer à évoluer pour corriger les imperfections qui restent.

Recommandation 1

Que le chef de la planification municipale et de l'évaluation du rendement évalue le Plan directeur municipal et le processus connexe, ainsi que le processus de budgétisation pour

2006, une fois achevé, afin de déterminer les leçons apprises et d'élaborer un plan d'action pour régler les questions ou les problèmes non résolus, notamment :

- **la mise en place planifiée de mesures du rendement quant aux objectifs principaux du Plan directeur municipal;**

- **la coordination planifiée du budget et du Plan directeur municipal;**

- **l'incorporation de la planification de la capacité dans le processus de planification et dans le plan;**

- **la détermination explicite des principales suppositions utilisées pour l'élaboration du plan.**

Que le chef de la planification municipale et de l'évaluation du rendement (CPMER) examine la possibilité d'intégrer l'outil d'établissement des priorités des Services généraux plus largement dans le processus de planification municipale.

Que le directeur des services aux employés surveille les accords de contribution individuelle (ACI) dans toute la Ville et qu'il rende compte de leurs réalisations en temps opportun et de façon appropriée.

Réponse de la direction

La direction est d'accord avec ces recommandations en principe. Plus tôt en 2005, on avait prévu d'effectuer une analyse rétrospective du Plan directeur municipal (PDM) et des activités connexes, et les ateliers d'analyse rétrospective étaient prévus pour le début du premier trimestre de 2006. Une des questions précises à l'ordre du jour sera le lien entre le processus de planification municipale, le plan financier à long terme et le processus de budgétisation. Le Comité de la haute direction (CHD) examinera et approuvera les recommandations de modifications à considérer pour la prochaine version du PDM découlant de l'analyse rétrospective dans le premier trimestre de 2006, et il en tiendra compte dans la prochaine mise à jour du PDM, laquelle aura lieu à la fin de 2006.

De plus, parallèlement à l'analyse rétrospective du PDM, le bureau du chef des Services généraux effectuera une évaluation du processus de budgétisation, comme chaque année, et présentera toute modification suggérée au Conseil.

La direction est d'accord avec la recommandation relative à la mise en place planifiée de mesures du rendement quant aux principaux objectifs du Plan directeur municipal. On a déjà amorcé le travail relatif à ces mesures et, dans le premier trimestre de 2006, on a présenté au Conseil un rapport sur le cadre d'évaluation et de rapport du rendement proposé.

La direction fera le lien entre le budget et le Plan directeur dans le cadre de planification intégrée. Après la prochaine élection, on élaborera un plan relatif au « mandat du Conseil » et il sera approuvé avec la prochaine phase du Plan financier à

long terme de la Ville. Ils constitueront le fondement du budget pluriannuel et de la prochaine version du plan de ressources humaines.

La direction souligne qu'on a inclus la planification de la capacité dans le processus de planification et dans le plan. Le processus de planification de la direction a tenu compte tout particulièrement des contraintes de capacité. La faisabilité d'appliquer chacun des éléments contenus dans le PDM et dans les plans opérationnels du Service (POS) dans la base de ressources existante a été évaluée par le service de la Ville concerné. Quand il n'était pas possible de le faire, on a mis en évidence les ressources supplémentaires nécessaires et elles ont été comptées dans le coût des plans qui ont été présentés au Conseil. Il s'agit d'une démarche simple et rentable pour évaluer la capacité. Si, dans les années à venir, la direction constate qu'il y a eu des engagements excédentaires au niveau des plans, elle réévaluera la démarche.

La direction est d'accord pour déterminer de façon explicite les principales constatations utilisées pour élaborer le plan. Cette étape se fera à l'analyse rétrospective – voir la réponse ci avant. Cette étape fera partie de la mise à jour du PDM qui aura lieu à la fin de 2006.

Pour ce qui est de la recommandation voulant que le CPMER examine la possibilité d'intégrer l'outil d'établissement des priorités des Services généraux, voir la réponse relative à l'évaluation de la capacité ci avant. Comme l'a souligné le vérificateur général, le processus de planification municipale a été mis en œuvre récemment et continuera d'évoluer avec le temps. Grâce à des mécanismes comme l'analyse rétrospective, nous optons pour une démarche d'amélioration continue et nous reconnaîtrons les domaines dans lesquels le processus peut être amélioré.

La direction est d'accord avec la recommandation voulant que le directeur des Services aux employés surveille les accords de contribution individuelle dans toute la Ville et rende compte de leur réalisation en temps opportun. Comme l'a souligné le rapport du vérificateur général, la Ville vient tout juste de définir son cadre de planification municipale en 2005. Au cours de la première année, nous avons élaboré le Plan directeur municipal et les plans opérationnels du Service. Au cours des années à venir, ces plans seront transférés partout dans l'organisation et à la direction, et on rédigera des plans de travail d'unité alignés avec le PDM et les POS. À cette étape, le lien entre les ACI et les plans opérationnels sera clairement établi. Pour l'instant, la nécessité de définir des ACI pour tout le personnel de la gestion demeure, mais ceux ci sont fondés sur les responsabilités de la direction et les objectifs négociés. La direction continuera de rappeler à tous les gestionnaires de la direction qu'ils sont chargés de passer des ACI pour leur personnel de gestion. À la fin du cycle de rendement, la direction rendra compte du nombre d'ACI réalisés en comparaison du nombre d'employés admissibles au Programme de rémunération au rendement. On présentera cette information au Comité de la haute direction dans le deuxième trimestre de 2006.

Centres d'expertise : Le modèle des centres d'expertise ne bénéficie pas du soutien adéquat que procurent des attentes clairement définies et l'évaluation du rendement.

Recommandation 2

Que le Directeur des services municipaux veille à ce qu'il y ait un examen pour mettre à jour les ententes sur les niveaux de service des Centre d'expertise, notamment la définition des niveaux de rendement, les exigences de surveillance et la démarche visant à reconnaître les problèmes ou les conflits et à les résoudre.

Réponse de la direction

La direction est d'accord avec la présente recommandation. L'ébauche d'un projet de processus contenant tous ces éléments sera présenté au CHD à la réunion de janvier 2006. Le présent projet a été déterminé prioritaire dans le Plan opérationnels du service pour 2006 des Services généraux et il fera partie du plan de travail de 2006 du Bureau du chef des services généraux.

Cadre de contrôle de gestion financière : Le cadre de contrôle de gestion financière de la Ville est fragmenté. Les procédures de contrôle, les rôles et les responsabilités sont fixés de façons diverses, parfois de façon officielle et parfois de façon officieuse. Il n'y a pas de cadre officiel qui dicte de façon explicite la structure de contrôle de gestion financière de la Ville.

Recommandation 3

Que le chef des Services généraux élabore un cadre de contrôle de gestion financière officiel qui définit clairement les responsabilités, les objectifs de contrôle et les risques de la gestion financière, ainsi que les processus ou mécanismes de contrôle connexes qui ont été mis en place pour diminuer les risques. Les rôles et les responsabilités en ce qui a trait aux services partagés (en particulier, les Unités des services financiers (ENS) devraient être liés à ceux fixés par les ententes sur les niveaux de service entre les Services financiers et les services clients.

Réponse de la direction

La direction est d'accord avec la recommandation d'élaborer un cadre global. Si le cadre en question est censé être général et s'il vise à décrire des objectifs de contrôle généraux, des niveaux de responsabilité, une philosophie et des politiques de contrôle globales, alors cet exercice est réalisable en 2006, probablement avec les ressources existantes. L'un des problèmes précis qui sera abordé, dans le cadre des mises à jour des ENS mentionnées dans la réponse ci avant, sera la clarification du rôle des Unités des services financiers, afin qu'on fournisse des services de façon continue et que leur rôle soit très bien compris. La direction fixera aussi des paramètres pour l'examen des transactions, lesquels seront appliqués de façon uniforme.

Gestion intégrée des risques : Il n'y a pas une démarche qui soit étendue à l'ensemble de l'organisation, pas plus que la Ville n'est en mesure d'évaluer de façon uniforme le niveau de risque qui se pose dans l'ensemble de l'organisation afin de faciliter la planification et l'établissement des priorités.

<u>**Recommandation 4**</u>

Que le chef de la planification municipale et de l'évaluation du rendement mette en place une gestion intégrée des risques dans la Ville, dans le cadre du cycle de gestion du rendement et de la planification. Cette étape comprendrait notamment les activités suivantes :

- **l'élaboration d'une politique sur la gestion intégrée des risques;**
- **l'élaboration d'outils et de démarches pour la gestion des risques;**
- **l'offre d'une formation en gestion des risques.**

<u>**Réponse de la direction**</u>

Bien que la direction soit d'accord avec la recommandation du vérificateur général en principe, ils ne croient pas que la mise en œuvre de la présente recommandation soit réalisable pour le moment. Le coût et l'avantage de la mise en œuvre d'une initiative de gestion des risques complète, à l'échelle de l'organisation, comme l'a suggéré le vérificateur général, ne sont pas clairement définis. De plus, il n'est pas clair s'il s'agit d'une meilleure pratique généralement acceptée dans la régie municipale. La mise en œuvre récente de ces types de programme dans le secteur privé découle en grande partie des exigences de Sarbanes Oxley aux É. U. À la connaissance de la direction, dans les quelques cas où des municipalités canadiennes ont fait l'expérience de ces programmes, leur mise en œuvre n'a pas été fructueuse.

À ce stade, dans le contexte du cadre de contrôle de gestion, la priorité de la direction consiste à mettre en pratique le cadre de planification, ainsi qu'à élaborer et à appliquer le cadre d'évaluation et de rapport de rendement dans toute l'organisation, au cours des deux ou trois prochaines années. Néanmoins, certaines mesures prises par la direction pour améliorer le processus de planification municipale corrigeront le problème. À titre d'exemple, la présentation d'une analyse complète de l'environnement permettra de déterminer les risques à considérer au moment de l'élaboration du Plan directeur municipal et des plans opérationnels du Service.

Pour ce qui est de l'élaboration d'une politique sur la gestion intégrée des risques, la direction croit que les remarques du vérificateur général dans ce domaine devraient tenir compte du fait que la Ville a une politique sur la gestion de risques, qui a été approuvée par le Conseil en 2001 et qui confirme l'engagement de la Ville en matière de processus valables pour la gestion des risques. Certaines des mesures précises prises par les Services généraux pour s'attaquer directement aux risques dans différents domaines sont exposées dans la présente politique. À titre d'exemple, les

principes de gestion des risques sont appliqués clairement dans les décisions d'investissement, dans les décisions relatives à la couverture d'assurance, et pour offrir et conserver des conditions de travail sécuritaires. De plus, les processus de gestion des risques sont aussi appliqués dans d'autres domaines clés. L'Unité des mesures d'urgence a déterminé les risques catastrophiques qui pourraient avoir des conséquences pour la Ville et a élaboré un programme/plan pour y remédier. En outre, le personnel des Travaux publics effectue constamment des évaluations des risques relatifs aux projets de construction ou d'entretien, et la Ville a adopté des procédures pour faire en sorte que les risques soient transférés de façon raisonnable grâce au soumissionnaire, au contrat et au processus d'entente. La Gestion des actifs et des biens immobiliers ainsi que Services et Travaux publics ont adopté des stratégies globales de gestion des actifs qui ont été approuvées par le Conseil municipal et qui comprennent des inventaires, des analyses d'écarts et des stratégies pour la mise hors service et la réhabilitation d'infrastructures qui arrivent à la fin de leur cycle de vie.

Cadre politique : Le cadre politique de la Ville est fragmenté.

Recommandation 5

Que le chef des Services généraux élabore des plans pour l'examen et la mise à jour des politiques administratives municipales et pour l'élaboration d'un nouveau cadre politique municipal, lequel devrait comprendre un unique point d'accès, une présentation uniforme, la consolidation des règlements et la définition d'un échéancier pour la réalisation du processus.

Les services devraient surveiller leurs plans pour faire en sorte que l'harmonisation des procédures et des politiques opérationnelles soit effectuée en temps opportun.

> **Réponse de la direction**
>
> La direction est d'accord avec cette recommandation. Le personnel de Politiques générales, Gestion du rendement (PGGR), élabore actuellement des plans pour examiner et mettre à jour les politiques administratives municipales et pour élaborer un nouveau cadre stratégique municipal. Dans le quatrième trimestre de 2006, ce cadre sera achevé et présenté pour approbation au CHD.
>
> Au moment de la définition d'un échéancier pour le processus de mise à jour de la politique globale, il faut tenir compte de la disponibilité des ressources. Pour réaliser ce travail, on utilisera les mêmes ressources qui auront servi à réaliser le travail décrit dans le CE 4.2. Le Comité consultatif de direction (CCD) présidé par le chef des Services généraux donnera priorité à la mise à jour des politiques.
>
> Les règlements sont maintenant consolidés dans l'intranet de la Ville; ce sont les mêmes ressources qui effectuent le travail.

Pour ce qui est des services qui surveillent leurs propres plans pour s'assurer de l'harmonisation des procédures et des politiques opérationnelles en temps opportun, la direction est d'accord, mais aucune initiative ni modification précise n'est nécessaire en réponse à cette recommandation. Comme l'a souligné le vérificateur général, cette responsabilité incombe à chaque service. Le personnel de PGGR travaillera de concert avec chaque service en ce qui a trait à la politique administrative municipale afin de partager l'expérience, les outils et les démarches; cependant, les procédures et les politiques opérationnelles au niveau des Services ou de la Direction relèvent de ces responsables de la politique. Le personnel de PGGR surveillera l'application du cadre municipal et rendra compte annuellement au chef des Services généraux.

Stratégie en matière de gestion de l'information et de technologie de l'information : La Ville n'a pas défini ni approuvé une stratégie pour la gestion de l'information et pour la technologie de l'information reliée aux plans municipaux.

Recommandation 6

Que le directeur de l'information, appuyé par les services et les directions administratives, poursuive les projets d'élaboration d'une stratégie pour la gestion de l'information et pour la technologie de l'information à l'échelle de la Ville afin d'appuyer le Plan directeur municipal, et ce, selon un échéancier défini.

Réponse de la direction

La direction est d'accord avec la présente recommandation. Les STI ont amorcé l'élaboration d'un nouveau plan stratégique relatif de la TI à l'automne de 2004, en remplacement du plan original approuvé en 2000 par le Conseil de transition d'Ottawa. Cependant, le nouveau plan a été mis en attente en 2005 après l'annonce du Plan directeur municipal et de l'exercice de planification des activités du Service. Les STI achèveront le nouveau plan stratégique de la TI pour le premier trimestre de 2006, afin d'appuyer le Plan directeur municipal.

Réponse générale de la direction

Nous apprécions les commentaires positifs du vérificateur général relatifs aux améliorations récentes que nous avons apportées aux principaux processus de gestion, comme la mise en place d'un cadre de planification municipal, l'élaboration et l'approbation par le Conseil du premier Plan directeur municipal et l'élaboration d'un cadre d'évaluation et de rapport du rendement. Comme l'a souligné le vérificateur général, le cadre de contrôle de gestion a évolué considérablement et nous continuerons à le perfectionner davantage. Plus précisément, nous améliorerons en 2006 certaines parties importantes du cadre afin d'en retirer les meilleurs résultats immédiats. Ces améliorations comprendront ce qui suit :

- Amélioration du processus d'élaboration du Plan directeur municipal et des activités connexes en fonction d'une analyse rétrospective de l'exercice de 2005;

- Élaboration d'une analyse complète de l'environnement, laquelle déterminera les risques à considérer dans l'élaboration du Plan directeur municipal et des plans opérationnels du Service;

- Achèvement du cadre d'évaluation et de rapport du rendement, présentation du cadre au Conseil et application des premiers éléments clés;

- Mise à jour des ententes sur les niveaux de service des centres d'expertise;

- Définition d'un cadre stratégique municipal, de priorités et d'un échéancier pour la révision des politiques et la mise à jour de certaines politiques clés; et

- Achèvement du plan stratégique de la TI.

CONCLUSION

La Ville fait des efforts importants pour moderniser son cadre de contrôle de gestion, afin qu'il corresponde à la taille et à l'étendue de ses activités. La partie observations détaillées du rapport mentionne bon nombre des points forts et des améliorations planifiées qui ont été énumérés au cours de la vérification. Cela dit, les points faibles du cadre de contrôle de gestion résumés ci avant diminuent l'efficacité et peuvent exposer l'organisation à certains risques au fil du temps. La section 4 du présent rapport contient les observations détaillées de la vérification, y compris les risques et les recommandations pour améliorer les contrôles.

Nous remercions la gestion pour la courtoisie et l'assistance qu'ils nous ont offertes pendant cette vérification.

1.0   Background

The City of Ottawa is a large and complex organization responsible for a multitude of diverse services and activities. The City has approximately 12,000 full-time equivalent staff, and an annual budget of $2 billion.

City services are provided primarily by three main operational services departments: Community and Protective Services, Public Works and Services, and Planning and Growth Management. Corporate Services contains most of the enabling functions of the organization (except for Fleet Services and Marketing and Communications), including Financial Services, Employee Services, Information Technology Services, Real Property Asset Management, Legal Services, as well as the City Clerk's Branch. Figure 1 below identifies the organizational structure of the City's administration.
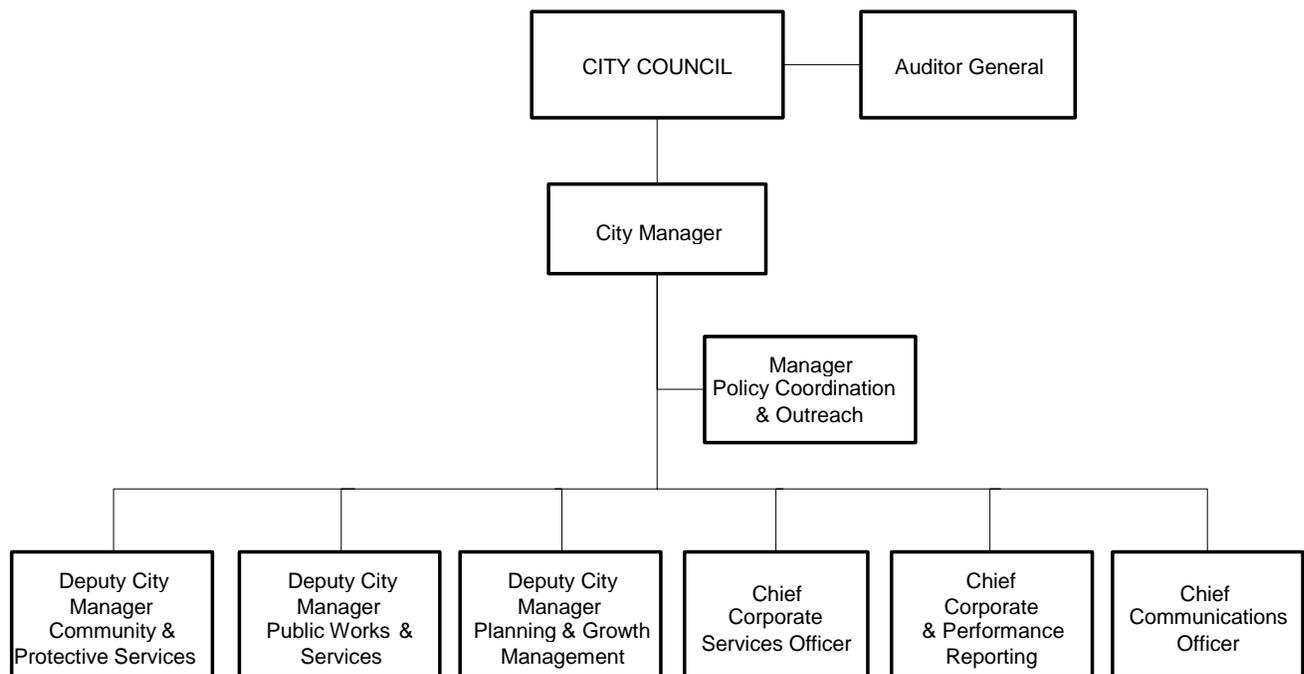
Figure 1 : City of Ottawa Organization Chart

The administration of the City of Ottawa has undergone significant change since amalgamation in 2000, including the institution of a new organizational structure, a significant investment in the SAP enterprise resource management system, and recent introduction of a new corporate planning and performance measurement regime.

2. Audit Objectives and Scope

2.1 Audit Objectives

The objectives of the audit were to conduct a high level assessment of the effectiveness of the management control framework in place at the City, to:

- assess what is working well and what needs to be improved;

- identify recommended actions for improvement; and

- identify key areas for further audit work.

2.2 Audit Scope

The scope of the audit addressed the management control framework currently in place. The management control framework is the City's resources, systems, processes, culture, structure, and tasks and how they support the achievement of the City's objectives. The audit, which encompassed a more detailed review of financial management controls within the overall framework, was conducted on an organization-wide basis, excluding Ottawa Police Service.

2.3   Audit Criteria

The audit criteria are based on the Canadian Institute of Chartered Accountants Criteria of Control model, outlined in figure 2 and figure 3 below.
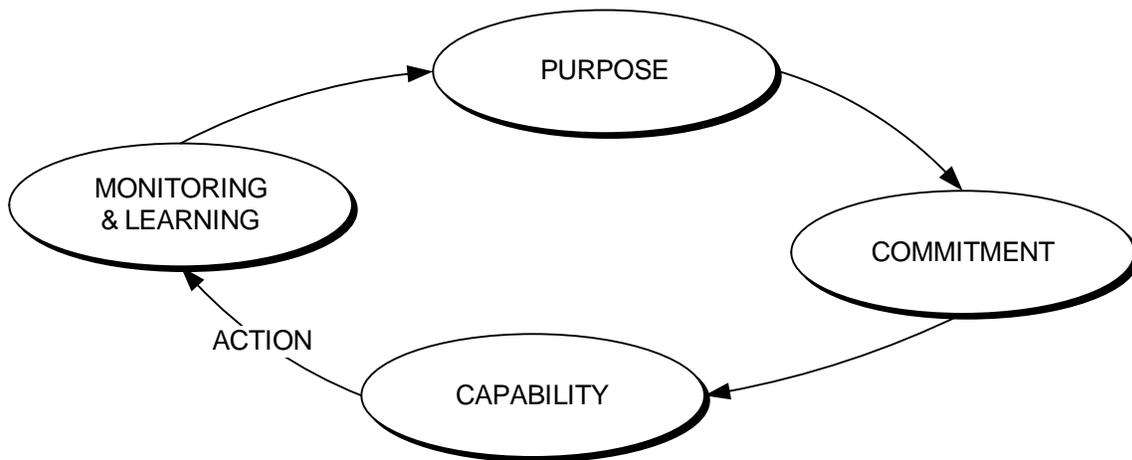
Figure 2 : Criteria of Control Model[1]

---

[1] CICA, Guidance in Assessing Control (April 1999) p. 4

Domain	Description
Purpose	Groups criteria that provide a sense of the organization's direction. They address: objectives (including mission, vision and strategy); risks (and opportunities); policies; planning; and performance targets and indicators.
Commitment	Groups criteria that provide a sense of the organization's identity, values and willingness to achieve its purpose. They address: ethical values, including integrity; human resource policies and practices; authority, responsibility and accountability; and mutual trust.
Capability	Groups criteria that provide a sense of the organization's competence. They address: knowledge, skills and tools; communication processes; information; coordination; and control activities.
Monitoring and Learning	Groups criteria that provide a sense of the organization's evolution. They address: monitoring internal and external environments; monitoring performance; challenging assumptions; reassessing information needs and information systems; follow-up procedures; and assessing the effectiveness of control.

Figure 3 : Criteria of Control Definitions[2]

Detailed criteria are presented in Appendix A. It should be noted that not all criteria are explicitly addressed in the audit report, as the report is limited to those areas where key findings were identified.

2.4   Report Structure

Findings from the audit are presented in Section 4, under the following headings:

4.1   Planning and Performance Management
4.2   Centres of Expertise
4.3   Financial Management Control Framework
4.4   Integrated Risk Management
4.5   Policy Framework
4.6   Information Management/Information Technology Strategy

---

[2] CICA, Guidance on Assessing Control (April 1999) p. 4

3.0   Detailed Observations

3.1   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.
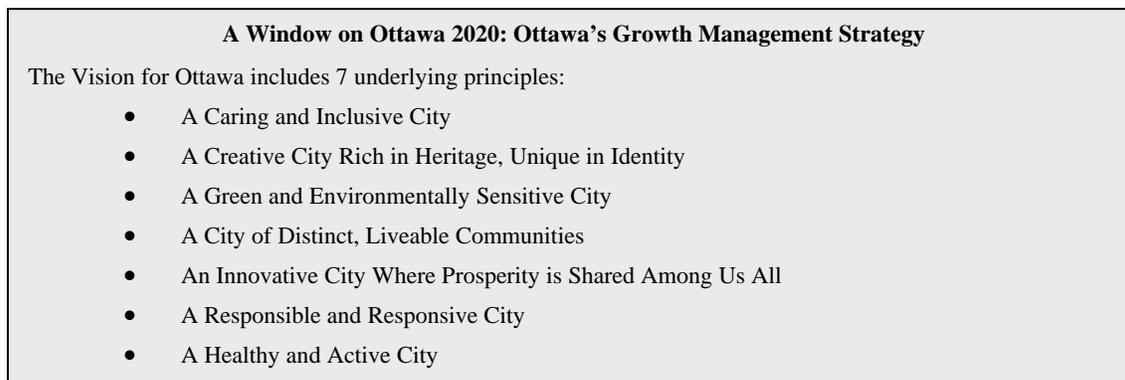
Criteria

- Objectives should be established and communicated.
- Plans to guide efforts in achieving the organization's objectives should be established and communicated.
- Objectives and related plans should include measurable performance targets and indicators.
- Performance should be monitored against the targets and indicators identified in the organization's objectives and plans.
- The assumptions behind an organization's objectives should be periodically challenged.

Observations
Planning

A clear vision, shared throughout an organization, is a fundamental component in the development of an integrated management control framework. It sets out the overall purpose and direction for the organization. The vision for the City, highlighted in figure 4 below, has been documented in *A Window on Ottawa 2020: Ottawa's Growth Management Strategy (Ottawa 20/20)*, published in 2003.

A Window on Ottawa 2020: Ottawa's Growth Management Strategy

The Vision for Ottawa includes 7 underlying principles:

- A Caring and Inclusive City
- A Creative City Rich in Heritage, Unique in Identity
- A Green and Environmentally Sensitive City
- A City of Distinct, Liveable Communities
- An Innovative City Where Prosperity is Shared Among Us All
- A Responsible and Responsive City
- A Healthy and Active City

Figure 4 : Ottawa 20/20[3]

---

[3] A Window on Ottawa (2003) p. 45

Once the vision is established, more detailed objectives are needed to direct the organization, and to give people an understanding of what is expected of them. To that end, the City has recently introduced a Corporate Planning Framework, which defines the components of the City Corporate Plan, its relationship to other planning documents (Ottawa 20/20, the Official Plan, Long-Range Financial Plan, Budget Documents), and the process to be used to develop the City Corporate Plan. See figure 5 below for a description of these documents.

Document	Description
Ottawa 20/20	A long-term vision, or blueprint, of where the City wants to be in 20 years, comprised of a series of plans.
Official Plan	The Official Plan provides a vision of the future growth of the City and a policy framework to guide its physical development to the year 2021. It is a legal document that addresses matters of provincial interest defined by the Provincial Policy Statement under the Ontario *Planning Act*.
Long-Range Financial Plan	Long-Range Financial Plan provides a high level funding strategy for the capital program of the City.
Budget Documents	Includes the annual Operating Budget and Capital Budget of the City. Operating Budget - An outline, organized by department and branch, of the City's budget for its day-to-day operations, including programs and services such as policing, public health, recycling and recreation. Capital Budget - An outline of the City's budget for buildings, vehicles and infrastructure, such as roads, community centres and parks.

Figure 5 : Key Planning Documents

The current City Corporate Plan contains 10 "Agendas" and associated actions, linked to Ottawa 20/20, which define the priorities for the City for the next four years. The City Corporate Plan is to be used to:

- set the agenda for 3 years, to match the term of Council (due to the timing of its introduction, the initial City Corporate Plan defines priorities for 4 years);

- provide the foundation for on-going refreshment of the Long-Range Financial Plan and development of annual draft budgets; and

- form the basis for departmental business plans.

The Corporate Planning Framework includes the development of annual departmental business plans that are directly tied to the City Corporate Plan and Ottawa 20/20. For example, the draft Community and Protective Services departmental plan has 12 strategic priorities that are linked to the City Corporate Plan and Ottawa 20/20. The draft Public Works and Services departmental plan has 35 priorities, explicitly linked to 6 of 10 City Corporate Plan agendas. Also the draft Planning and Growth Management departmental plan has 65 actions linked to 9 of 10 of the City Corporate Plan agendas. Previously, it was not mandatory for departmental plans to link to Ottawa 20/20.

The intent is that plans will continue to cascade down through the organization, from departmental plans, to branch and divisional plans, with managers' Individual Contribution Agreements tied to business plans. The completion of this process across the City has not been consistent; while it has been completed in some areas, in others Individual Contribution Agreements are being used as the basis for develop business plans, which is not the correct or intended approach for cascading down planning through the organization. Finally, in some areas, individuals do not have Individual Contribution Agreements for 2005.

The introduction of the Corporate Planning Framework and the City Corporate Plan represents a positive step forward in the City's planning and performance management framework. The City Corporate Plan provides more tangible expression of the Ottawa 20/20 vision, which can be used to drive the budget process. Previously, the budget was the de facto strategic plan presented to Council. Links between the budget and the Ottawa 20/20 vision were not evident, constraining the ability to make coherent resource decisions consistent with the vision. At the same time, however, the new planning process is not yet fully integrated with the budgeting process, and it remains to be seen how well the City Corporate Plan and related process will tie into the 2006 budget process and approvals. The current year's process is behind the planned cycle of having departmental plans completed by April/May 2005 to feed into the budget process in June 2005. The success of the City Corporate Plan depends on how well it informs the budget process. If the budget continues to be the driving force, and the City Corporate Plan does not influence the budget decisions, the intended benefits from developing the City Corporate Plan will have largely dissipated.

There is a need to better link plans to resource capacities, particularly the support required from the Centres of Expertise. As the City Corporate Plan is not yet fully integrated with the budget process, there is also the risk that the plans exceed the capacity of City staff to deliver. This lack of capacity planning contributes to an issue outlined later in the report regarding the Centres of Expertise and the related Service Level Agreements, which identifies that there are gaps between the services being provided by the Centres of Expertise and the expectations of their internal clients.
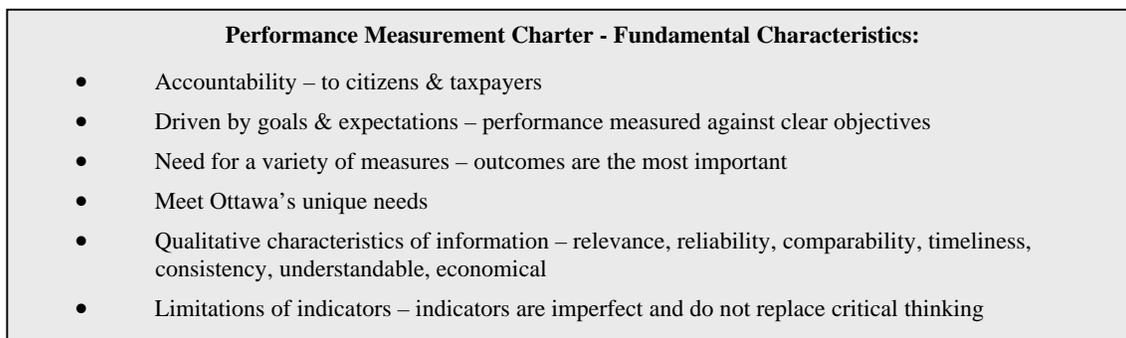
One of the key challenges for any organization is the allocation of scarce resources among multiple competing priorities. As the planning, budgeting and resource management processes mature, the trade-offs required between alternative or competing initiatives will become increasingly apparent. A consistent and objective criteria-based approach is needed to assist in establishing priorities. Within Corporate Services, the Information Technology

Services Branch has adopted a priority setting tool (called a Value Assessment Instrument) that is being used to support decision-making in where to invest limited information systems resources. There is an opportunity to expand the use of this type of tool to support the planning process.

Finally, planning involves uncertainty and the requirement to make assumptions, e.g., about the environment in which the organization will be operating. While the corporate planning processes and discussions may involve identification of assumptions, these are not clearly documented in the corporate plans. Without the clear identification of assumptions, the City will be limited in its ability to update the plans as conditions change, and fully analyze performance against the plan.

Performance Management

Linked to its new planning approach, the City has demonstrated a commitment to improving its performance measurement and monitoring. A new corporate function has been created to address performance measurement and monitoring and a Performance Management Framework is being developed that includes a performance measurement charter. The Performance Management Framework defines that the primary users of performance measurements will be City management and staff, with Council, and citizens and taxpayers, as additional users of this information. The key performance measurement characteristics described in the charter are provided in figure 6 below.

Performance Measurement Charter - Fundamental Characteristics:

- Accountability – to citizens & taxpayers

- Driven by goals & expectations – performance measured against clear objectives

- Need for a variety of measures – outcomes are the most important

- Meet Ottawa's unique needs

- Qualitative characteristics of information – relevance, reliability, comparability, timeliness, consistency, understandable, economical

- Limitations of indicators – indicators are imperfect and do not replace critical thinking

---

Figure 6 : Performance Measurement Characteristics

At a City-wide level, the main performance measure historically has been the financial performance against the budget. Beginning in the current year, operational budget updates are now being provided to Council on a quarterly basis and capital updates are provided semi-annually. Without a strategic plan, there was little in the way of organization-wide measurement of performance against objectives. The City Corporate Plan includes a performance measurement section. At this time, however, the plan does not include definition of the measures that will be used. The intent is that high level performance measures will be developed for each of the 10 agendas in the plan.

At the operational level, current performance measurement varies significantly across the City, with some departments and branches actively seeking ways to measure performance. For example:

- Building Services has extensive monitoring of performance to support compliance with performance standards embedded in the governing legislation;

- Transit Services has a number of indicators that it uses to monitor performance and to track service statistics;

- Long Term Care conducts an annual resident family satisfaction survey;

- Ottawa Public Library reports on activity levels across all locations;

- Information Technology Services Branch and Real Property Asset Management Branch report on Total Cost of Ownership for information technology and property investments respectively; and

- A Human Resources "dashboard" has been developed to monitor the overall health of the organization in terms of such things as absenteeism, etc.

Beyond specific performance measures adopted within some City services, the City also participates in the Municipal Performance Measurement Program, a provincial program that requires municipalities to collect specific data on core service areas, with the objective of measuring and reporting on the efficiency (cost) and effectiveness (quality) of core services. The City has also recently rejoined the Ontario Municipal Benchmarking Initiative, a collaborative project of Ontario municipalities to share performance measures to allow benchmarking service specific performance measures.

All these activities have value in allowing the City and its stakeholders to evaluate its performance. The challenge will be to expand and upgrade the relevance of the performance measurement activity, so that it provides valuable information on the performance of the City relative to its priorities as outlined in the City Corporate Plan.

Recommendation 1

That the Chief Corporate Planning and Performance Reporting Officer assess the City Corporate Plan and process, and 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; and**

- **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 across the City.

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 & signed off by 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 as 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 DBPs 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
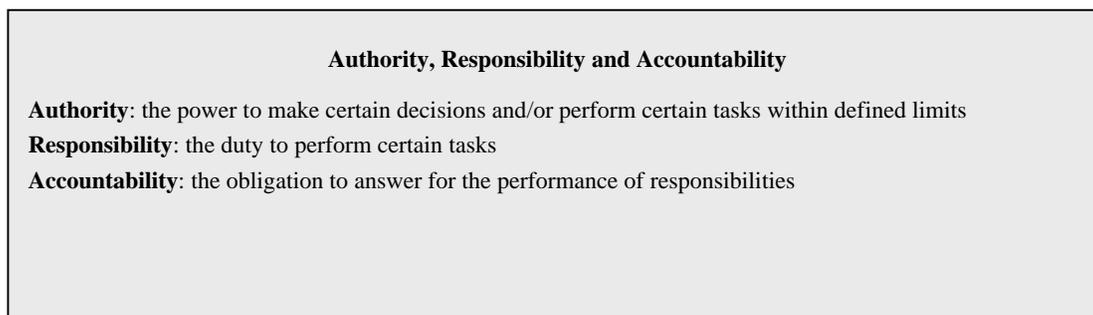
3.2 Centres of Expertise

The Centres of Expertise model is not properly supported by clearly defined expectations and performance reporting.

Criteria

- Authority, responsibility and accountability should be clearly defined and consistent with an organization's objectives so that decisions and actions are taken by the appropriate people.

- The decisions and actions of different parts of the organization should be coordinated.

Observations

For an organization to function well there needs to be clearly defined accountabilities, both vertically cascading down through the organization, as well as horizontally across the different parts of the organization (i.e., the departments, branches, divisions, etc.). For example, the Management Accountability Framework from Treasury Board within the federal government defines the following accountability expectation: "accountabilities for results are clearly assigned and consistent with resources, and delegations are appropriate to capabilities". The Canadian Institute of Chartered Accountants states that "an individual or group must be provided with the authority and responsibility for a task, output or outcome in order to be held accountable". Figure 7 below provides definitions for authority, responsibility and accountability.

<div style="border:1px solid #000; padding:1em;">

Authority, Responsibility and Accountability

Authority: the power to make certain decisions and/or perform certain tasks within defined limits

Responsibility: the duty to perform certain tasks

Accountability: the obligation to answer for the performance of responsibilities

</div>

Figure 7 : Accountability Definitions[4]

Within the City, authorities, responsibilities and accountabilities are defined through a series of documents. The City organization structure provides a fundamental building block in

---

[4] Canadian Institute of Chartered Accountants: Guidance on Control

establishing responsibilities across the organization. The objectives and services provided by each department and branch are described in the City's budget. The City Corporate Plan and departmental plans further describe key objectives and responsibilities. Individual responsibilities and accountabilities are defined in Individual Contribution Agreements.

Authorities are set out through various means, including by-laws, e.g., Purchasing By-law, Delegation of Authority By-law, the City budget and numerous policies.

From an organizational structure standpoint, the City has implemented a Centres of Expertise model, which separates operations from administration by assigning administrative responsibilities to corporate Centres of Expertise. These include:

- Communications and Marketing;
- Financial Services;
- Fleet Services;
- Employee Services;
- Information Technology Services;
- Legal Services;
- Real Property Asset Management; and
- Secretariat Services.

Matching accountability with responsibility and authority becomes more challenging under a matrix organization, which the Centres of Expertise approach represents. For example, Transit Services are accountable for delivery of service to riders, but the Branch does not have authority/direct control over the fleet used to deliver the service, which is the managed by the Fleet Services Centre of Expertise. To address this type of division of responsibility, the City adopted a Service Level Agreement approach. The purpose of the Service Level Agreements is to outline the roles and responsibilities for provision of services by a Centre of Expertise to an internal client department. Separate agreements have been established between each Centre of Expertise and department.

The Service Level Agreements have not been an effective tool in managing the relationships between Centres of Expertise and internal clients. There was fairly universal indication from individuals interviewed during the audit that the Service Level Agreements are not referenced or followed and that performance under the Centres of Expertise model has been inconsistent. This appears to result from a number of causes, including limitations in the content of the Service Level Agreements (there were no performance standards defined), no defined consequences if services were not delivered, competing or imprecise priorities among internal clients, no linkage of plans and service levels to resource capacity (outlined earlier in the section on Planning and Performance Management), and reduction in Centres of Expertise resources without adjustment of the Service Level Agreements. A consistently recurring example raised was the reduction in the level of service provided by Employee Services.

Without clearly defined and agreed upon responsibilities between Centres of Expertise and clients, there is an increased risk of breakdowns in accountability within the management structure.

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.

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.

3.3 Financial Management Control Framework

The City's financial management control framework is fragmented.   Control procedures, roles, responsibilities and accountabilities are set out in various ways, some formal, some informal.   There is no formal framework that explicitly outlines the City's financial management control structure.

Criteria

- An approved internal control framework is in place that identifies and documents internal control requirements and internal control activities.

- Responsibility, accountability and authority for processing financial transactions are assigned.

Observations

Financial management and internal control over financial transactions is an important part of overall management control. It is also important to note that financial management is not the exclusive domain of financial officers; it is every manager's responsibility. An important aspect of implementing good financial control is understanding of roles and responsibilities and the ability for finance and operational management to work together.

The roles, responsibilities and accountabilities of financial management activities are set out in various ways. For example:

- within Finance, roles and responsibilities are assigned through generic job descriptions and specifically assigned duties;

- the various policies and by-laws, e.g., the Purchasing By-law, Purchasing Manual and Delegated Authorities By-law, also set out responsibilities for financial transactions; and

- built-in access controls have been established within the administrative and financial applications of the City's corporate management information system, SAP.

SAP and a number of other feeder systems, processes and procedures support the City's financial management activities. At the time of implementing SAP, business process maps were developed and financial transaction controls were established as part of the system design and documentation. In addition to the programmed system controls within SAP, individual managers with financial management responsibilities have put in place financial control procedures to help ensure transactions are processed in accordance with policy, legislation, and by-laws.

The control framework established at the time of implementing SAP is an important element of the City's control framework. However, it does not provide a complete picture of the control requirements for overall financial management activities within the City. In other

words, other than what exists in the SAP systems documentation, there is no clearly documented corporate framework that explicitly outlines the City's internal control requirements, risk considerations and accountability structure for financial management. What is currently in place is a fragmented framework, consisting of control procedures and documentation that is spread across the organization. You would have to look at individual processes by department to determine the controls that are in place.

The existing financial control framework is essentially as follows:

Preventative Controls (controls over processing of inputs)

- The City's financial management model is very decentralized. Reliance is placed on the Financial Support Units to ensure manual internal control procedures (e.g., delegated signing authorities, contracting requirements for quotes) are applied. As the extent of review on the transactions and processes is at the discretion of the Financial Support Units, there is a large variance in the amount of review that takes place.

- For processing individual financial transactions, reliance is placed on programmed processing controls within SAP.

Detective Controls (controls to detect control breakdowns subsequent to processing transactions)

There is a Policy and Compliance Unit within Financial Services that conducts compliance reviews. While a perception may exist that this unit can provide assurance that controls are working as intended, the Program Manager responsible for this area views its purpose as more limited, to include the following:

- to select a sample of transactions, using a risk-based approach, for review of compliance with financial policies, procedures and legislation;

- to examine and evaluate financial policies and controls and recommend changes or improvements where necessary; and

- to analyze issues and problem areas identified by corporate management and finance staff and recommend solutions.

In addition, various functional units (e.g., Accounts Payable, Revenue, Travel, and Cash Receipts) also have developed policy and control procedures for their operations. For example, the payment of all invoices is centralized in Accounts Payable and policies and procedures have been developed to assist in carrying out this function.

There is no formal documentation of roles and responsibilities between operational managers and the Financial Support Units. Procedures have been established but not formally documented. In some cases, these may have been established through the Service Level Agreements, but the Service Level Agreements are out of date and are not being applied. In practice, the level of service provided by the Financial Support Units varies significantly.

A coordinated and comprehensive financial management control framework helps to manage the risks of errors or omissions going undetected, exposure to fraud or inappropriate use of City assets, or inefficient or ineffective control practices not being detected. This is particularly important in an organization of the size of the City where the nature of the operations is quite diversified, decentralized, and supported by numerous feeder systems and processes.

In addition to helping to mitigate risks, a formal and coordinated financial management control framework helps to ensure that control procedures are firmly entrenched in the organization, and that the processes are repeatable and sustainable. This is fundamental requirement in demonstrating mature financial management capabilities. According to the Office of the Auditor General of Canada regarding financial management capabilities:

> *The lack of repeatable, sustainable practices of financial management and control means that any data produced may not be complete, accurate or reliable. Similarly, without an adequate control framework, assets may not be adequately protected or resources adequately controlled.*[5]

As part of the year-end audit, the Manager, Accounting and Reporting, City Treasurer and Chief Corporate Services Officer sign a letter of representation regarding the adequacy of the system of internal controls to permit the preparation of accurate financial statements in accordance with generally accepted accounting principles. A formal financial management control framework would help senior management in fulfilling this responsibility by providing assurance to senior management on the extent of internal control activities.

Another important aspect to consider is public perception and the City's ability to demonstrate the adequacy of its financial management control processes. For example, changes are occurring in public expectations for complete and accurate financial reporting as an increasing amount of private sector companies experience significant breakdowns in internal control. To address this, new laws have been enacted in the United States and Ontario (i.e., the Sarbanes-Oxley Act in the United States and Ontario Bill 198) that require managers of publicly traded companies to make certifications with respect to the company's internal controls over financial reporting. The experience in the private sector is starting to create expectations for improved accountabilities for internal control and financial reporting for other types of organizations, including those in the public sector. There are indicators that similar requirements may be introduced in the public sector. Indeed, within the federal government of Canada, Treasury Board has proposed similar certification requirements for Crown Corporations.

In summary, the City has many internal controls in place aimed at ensuring completeness, accuracy, authorization, etc. However, the overall framework that exists is fragmented and not coordinated. Consistent with this, Ernst & Young communicated several internal control

---

[5] Financial Management Capability Model published by the Office of the Auditor General of Canada, 1999.

weaknesses to management after completion of their audit of the City financial statements for 2003[6]. Large, diverse and decentralized organizations require more mature financial management practices to be in place to assist in achieving corporate objectives. It is appropriate for the City to take steps to better coordinate the financial management control activities by establishing a more formal and modern financial management control framework in keeping with an organization of its size and diversity.

Recommendation 3

That the Chief Corporate Services Officer develop a formal financial management control framework that clearly defines financial management accountabilities, control objectives, risks and the related control processes/mechanisms that have been put in place to mitigate the risks. The roles and responsibilities as they relate to shared services (in particular, the Financial Support Units) should link to those set out in the Service Level Agreements between Financial Services and client departments.

Management Response

Management agrees with the recommendation to develop an overall framework. If this framework is supposed to be broad and intended to describe general control objectives, levels of responsibility, overall control policies and philosophy, then this exercise is achievable in 2006, likely within existing resources. One specific issue that will be addressed, as part of the SLA updates noted in the response above, will be a clarification of the role of the Financial Support Units, so that services will be provided on a consistent basis and their role will be well understood Management will also establish parameters for review of transactions that will be consistently applied.

---

[6] At the time of this audit, the management letter accompanying the 2004 audit of the financial statements has not been received.

3.4   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.*

Criterion

- The significant internal and external risks faced by an organization in the achievement of its objectives should be identified and assessed.

Observations

Integrated Risk Management involves a proactive, systematic and explicit organization-wide approach that identifies, assesses, manages and communicates risks that can affect the achievement of organizational objectives. In an effective integrated risk management regime, the organization's integrated risk management objectives are tied directly to the strategic, operational and project objectives. Risk management practices are integrated with existing management practices such as standard operating procedures, business planning and performance management. The risk-related activities of various organizational groups are coordinated and consistent with one another – typically through the use of a common risk management framework, policy and practices.

To effectively and efficiently achieve its objectives, an organization needs to understand and manage the risks to achieving the objectives. Since it is rarely practical or cost effective to reduce risk of failure to zero, all management decisions involve consideration of risk, whether explicitly or implicitly. The challenge is to create a management approach whereby consideration of risk is done consistently across the organization, with managers understanding what risks are acceptable to senior management and Council. When risk management is practiced in a comprehensive and integrated fashion, management's planning process is strengthened. On an enterprise-wide basis, resources can be allocated to the areas of highest risk, which not only supports the achievement of objectives, but also greatly increases efficiency by streaming resources to the area of greatest need.

Within the City, there is no City-wide enterprise risk management strategy or plan, nor is there an organization or manager assigned accountability for implementing integrated risk management. As a result, the approach to risk management varies widely across the City, from little or no explicit identification of risk, to instances of risk management focused on specific operational issues, to very formal integrated risk management approaches. Some instances of risk management activity include:

- The Library has conducted a formal risk assessment and from that developed a risk profile for the organization, with associated risk mitigation actions that are regularly monitored;

- The Community and Protective Services department is developing accountability plans for its 12 strategic priorities, that include consideration of the achievability of

the task (can it be done?), the availability of resources, and identification of risks to not achieving the objective;

- Long Term Care have organized an occupational heath and safety risk management program;

- There is a risk management function within the Financial Services Branch, which focuses on health and safety issues, and related insurance requirements;

- The development of the Long-Range Financial Plan, which involved assessing the level of capital funding available compared to defined investment needs, represents a risk management approach. At the same time, the Long-Range Financial Plan did not specifically identify risks if the proposed level of spending not undertaken; and

- Within Building Services, design of service levels and procedures includes consideration of risk.

Even when risk management is being addressed in some fashion, the approaches, scope of activity, tools used, definitions, and outputs vary widely. There is limited opportunity to leverage this activity to support planning and decision-making across the organization. It also increases the risk that key issues may not be escalated to senior management on a timely basis.

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; and**

- **provision of risk management training.**

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.

3.5 Policy Framework

The policy framework within the City is fragmented.

Criteria

- Policies designed to support the achievement of an organization's objectives and the management of its risks should be established, communicated and practiced so that people understand what is expected of them and the scope of their freedom to act.

- Accounting policies and procedures should be documented and understood.

Observations

Policies governing the administration and operations of the City are set out in a variety of ways. These are summarized below.

Corporate Administrative Policy

There are several different types of corporate policies, including:

- Human Resources;

- Financial and Accounting;

- Information Technology; and

- Corporate Administrative policies (e.g., Records Management).

The Chief Corporate Services Officer has overall responsibility for establishing and managing corporate administrative policy. The Manager, Corporate Administrative Policy and Performance Management, which reports to the Chief Corporate Services Officer, is a new position that was created in 2005 to provide support for carrying out this responsibility. In addition to this, the Management Advisory Committee addresses administrative policies as part of its mandate. The Committee, which is chaired by the Chief Corporate Services Officer, meets monthly and includes representatives from other departments. In some cases, policies will be referred to Executive Management Committee.

In terms of financial management, the Manager of Accounting and Reporting in Financial Services is responsible for managing the financial accounting and reporting policies. Support for carrying out this responsibility is provided by the Policy and Compliance Unit within the division.

Operational Policies

Operational policy is driven from Deputy City Managers and branch directors and/or division managers. Each department has its own policy function. Each department, or branch or division within a department develops its own operating policies and guidelines.

Documentation/Communication

The City's policies are located and communicated in a number of locations, including:

- Corporate policies posted on the City intranet (some within corporate menus and others within the functional areas e.g., Information Technology, Purchasing);

- Specific City by-laws (e.g., Purchasing By-law, Delegated Authorities By-law);

- Individual interpretation and guidelines developed within the various Centres of Expertise (e.g. some policies are broadly stated and must be interpreted by users. For example, the application of the Delegation of Authority By-law has been interpreted and tailored by individual Financial Support Units for their operational clients, with some Financial Support Units developing guidelines based on positions, while others developing guidelines based on individuals); and

- Department, branch or division operating policies and guidelines manuals or documents.

Development/Revision

Since 2000, considerable effort has been spent on the amalgamation of the various municipalities into one. The amalgamation process has required extensive harmonization of policies and procedures of the predecessor municipalities. Some branches are still completing their harmonization activities (e.g., Infrastructure Services is still working on the project management manual, Fleet Services still has some harmonization to be done, and Surface Operations is still harmonizing processes and building a branch policy manual). In many cases, the ongoing service delivery pressures have meant that some of the updating and completion of harmonization plans has had to be delayed.

Business process owners are responsible for developing and revising any related policies. As part of the implementation of SAP, business process owners have been defined for all SAP modules. Hence, process owners establish policies around the SAP modules. As well, this same approach is used for other business systems, such as the GIS (geographical information systems).

Reliance is placed on policy owners to ensure policies are up to date and effective.

Since amalgamation, there have been changes in the organization structure and business processes. However, there has not been a corporate process to ensure that corporate policy is updated accordingly and on a timely basis.

Also, there is no standard format or process for developing corporate policies. Indeed, some managers have noted there is inadequate consultation in the development and roll-out of corporate administrative policies.

In summary, the City's policy framework is fragmented. For example:

- the responsibility has been spread throughout the organization;

- policy development and approval is not standard across the City;

- the organization of policy is confusing;

- the formats are not consistent;

- some policies are in need of updating;

- there is no formal monitoring process to ensure policies are current and relevant; and

- by-laws and related amendments are not consolidated together on the City's intranet to provide individuals certainty that they are referencing the most current version of the by-law.

A clearly articulated and up to date corporate policy framework is important. Without one, there are increased risks that:

- staff are not clear on policy requirements;

- policies do not reflect current plans and objectives of the City; and

- decisions are made that are not consistent with policy or corporate objectives.

In addition, a formal, coordinated corporate framework establishes defined processes that helps to ensure that corporate policies are firmly entrenched within the operations rather than being reliant on efforts of individuals. This helps to prevent corporate knowledge and know-how from being lost in the event of staff turnover.

City management has recognized weaknesses in the corporate administrative framework and initiatives are underway to make improvements. These include:

- The Manager of Corporate Administration Policy and Performance Management has been tasked with developing a new corporate policy framework/process and for reviewing and updating corporate administrative policy.

- Financial Services has identified a review of financial policies and procedures as one of its key initiatives. As part of this initiative, guidelines have been drafted (but not yet finalized) for the development/revision of financial policies/procedures.

As well, various departments are continuing their efforts to complete the harmonization of operational policies and procedures within their responsibilities, on a priority basis relative to service delivery requirements.

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.

Management Response

Management agrees. Plans are currently being developed within CAPPM 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. CAPPM 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 CAPPM will monitor the implementation of the corporate framework and report on an annual basis to the Chief Corporate Services Officer.

3.6 Information Management/Information Technology Strategy

The City does not have a defined and approved information management/information technology strategy linked to corporate plans.

Criterion

- Information needs and related information systems should be reassessed as objectives change or as reporting deficiencies are identified.

Observations

The City relies heavily on information systems to deliver services and support administration. Information Technology Services Branch supports over 400 systems, many of which are critical to services, e.g., dispatch system for Paramedic Services, circulation system for the Ottawa Public Library, registration system for Parks and Recreation facilities, permit application system for Building Services, etc. In addition, the City has made a significant investment in SAP, an enterprise resource planning system used primarily to support administration (e.g., finance, payroll, human resources, and materiel management).

A strategic information management/information technology plan is needed to ensure that the use of information management/information technology is aligned with the vision and strategies of the organization, with processes used to develop plans including both information management/information technology management and business process owners. Plans need to take into account organizational strategies, current information management/information technology infrastructure, and information technology directions and markets.

Information Technology Services created a strategic information management/information technology plan for the period 2000-03. When the time came to renew the strategic plan, a decision was made to hold-off on plans until the City Corporate Plan was developed. The purpose was to build the new information management/information technology strategy to support the broader City strategies outlined in the City Corporate Plan. For the interim period, Information Technology Services identified some high-level strategic directions.

Due to the significant range of systems and support requirements for both operational and administrative systems, much of the resource base within information management/information technology is needed simply to keep existing systems running. Assigning resources is very challenging. To aid in decision-making, Information Technology Services has adopted a value management methodology to assess proposed initiatives to ensure they meet needed threshold to invest. Nevertheless, without a current information management/information technology strategy targeted at supporting corporate plans and strategies, there is an increased risk that the level and allocation of resources will not be appropriate. As well, operational areas may not be clear about what directions they can take for their operational systems.

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.

General Management Response

We appreciate the positive comments made by the Auditor General regarding recent improvements we have made to key management processes, such as the introduction of the corporate planning framework, preparation and approval by Council of the first City Corporate Plan and the development of a performance measurement and reporting framework. As noted by the Auditor General, the management control framework has evolved considerably and we will continue to make further improvements. More specifically, in 2006 we will enhance certain important parts of the framework where there will be the greatest immediate benefits. These include:

- Enhancement of the City Corporate planning process and related activities based on a post mortem of the 2005 exercise;

- Preparation of a comprehensive environmental scan, which will identify risks to be considered in developing the City Corporate Plan and Departmental Business plans;

- Completion of the performance measurement and reporting framework, presentation of the framework to Council and implementation of the 1st key components;

- Updating of the Centre of Expertise Service Level Agreements;

- Establishment of a corporate policy framework, priorities and a timetable for policy revisions and update of selected, key policies; and

- Completion of the IT Strategic Plan.

Appendix A - Audit Criteria[7]

PURPOSE groups criteria that provide a sense of the organization's direction.

A1   Objectives should be established and communicated.

A2   The significant internal and external risks faced by an organization in the achievement of its objectives should be identified and assessed.

A3   Policies designed to support the achievement of an organization's objectives and the management of its risks should be established, communicated and practised so that people understand what is expected of them and the scope of their freedom to act.

A4   Plans to guide efforts in achieving the organization's objectives should be established and communicated.

A5   Objectives and related plans should include measurable performance targets and indicators.

COMMITMENT groups criteria that provide a sense of the organization's identity, values and willingness to achieve its purpose.

B1   Shared ethical values, including integrity, should be established, communicated and practised throughout the organization.

B2   Human resource policies and practises should be consistent with an organization's ethical values and with the achievement of its objectives.

B3   Authority, responsibility and accountability should be clearly defined and consistent with an organization's objectives so that decisions and actions are taken by the appropriate people.

B4   An atmosphere of mutual trust should be fostered to support the flow of information between people and their effective performance toward achieving the organization's objectives.

CAPABILITY groups criteria that provide a sense of the organization's competence.

C1   People should have the necessary knowledge, skills and tools to support the achievement of the organization's objectives.

C2   Communication processes should support the organization's values and the achievement of its objectives.

---

[7] CICA, Guidance on Control (November 1995) p. 9

C3   Sufficient and relevant information should be identified and communicated in a timely manner to enable people to perform their assigned responsibilities.

C4   The decisions and actions of different parts of the organization should be coordinated.

C5   Control activities should be designed as an integral part of the organization, taking into consideration its objectives, the risks to their achievement, and the inter-relatedness of control elements.

MONITORING & LEARNING groups criteria that provide a sense of the organization's evolution.

D1   External and internal environments should be monitored to obtain information that may signal a need to re-evaluate the organization's objectives or control.

D2   Performance should be monitored against the targets and indicators identified in the organization's objectives and plans.

D3   The assumptions behind an organization's objectives should be periodically challenged.

D4   Information needs and related information systems should be reassessed as objectives change or as reporting deficiencies are identified.

D5   Follow-up procedures should be established and performed to ensure appropriate change or action occurs.

D6   Management should periodically assess the effectiveness of control in its organization and communicate the results to those to whom it is accountable.