



**Office of the Auditor General: Annual Report
Tabled at Audit Committee – December 1, 2016**



Office of the Auditor General

December 1, 2016

Mayor, Members of Audit Committee and Council:

I am pleased to present the Annual Report of the Office of the Auditor General of the City of Ottawa.

Respectfully,

A handwritten signature in black ink that reads 'Ken Hughes'. The signature is written in a cursive style with a large initial 'K'.

Ken Hughes

Auditor General



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Overview of Activities

In 2016, we completed audits and follow-ups that were in process at the end of 2015. We also began working on audits and follow-ups that had been previously approved by Council. Our Annual Report on the Fraud and Waste Hotline was presented to the Audit Committee in June. In May and October we presented Follow-up reports to the Audit Committee. In preparation for the development of the 2017 Annual Audit Work Plan (AAWP) we met with members of Council and senior City staff to discuss the areas proposed for the plan. The proposed 2017 AAWP is presented to the Audit Committee at the same time as this Annual Report.

Five new audits were also completed since my last annual report in November 2015. These include:

- Audit of the Automated Meter Reading Project
- Audit of ByWard and Parkdale Markets
- Audit of the Environmental Services Department
- Audit of Specific Areas of the Infrastructure Services Department
- Audit of the ServiceOttawa Program

In addition, this report includes an interim report for an audit that commenced in 2016 and will not be completed until 2017:

- Audit of Light Rail Transit Planning and Change Management – Interim Report

It should be emphasized that recommendations arising from audits represent the Auditor General's suggested course of action to resolve the issues identified, however, once these recommendations and management responses are approved they become direction from Council. As such, progress in implementing these recommendations has been viewed as fulfilling Council's direction.

As audits are developed, depending on the nature of the findings, it may be more suitable to issue some related audit elements in separate reports, for example, less significant issues may also be addressed through the issuance of management letters provided directly to management. Since the last Annual Report, we have issued three management letters.

Based on the advice of the City Clerk and Solicitor, the following audit will be presented once any related arbitration and/or litigation are concluded:

- 2011 Audit of the Procurement Process – Springhill Landfill



Fraud and Waste Hotline

The City's Fraud and Waste Hotline is an anonymous and confidential vehicle for City staff and the general public to report suspected fraud or waste. Our Office continues to be responsible for the administration of the City's Fraud and Waste Hotline which is available for employees as part of the City's Fraud and Waste Policy. Our Office reviews all cases submitted through the Hotline, however Council approval would be sought prior to conducting any specific audits that might arise from these reports. The bulk of the investigations related to the reports are done by City management and reviewed by the OAG. In recent years there has been a significant increase in the number of reports to the Hotline and the number for 2016 will likely be close to the number for 2015. The OAG resources required to support the Hotline has now reached 2 full time equivalents (FTE) or significantly higher at times due to higher case volume and the nature of cases. We will be issuing a full report of the Hotline's activity at a future Audit Committee meeting.

Tabling Protocol

The Auditor General reports directly to Audit Committee, a Standing Committee of Council and reports annually on all audit reports completed during the course of the year. This is generally to be done in the fall, unless it is an election year, in which case the report would be deferred until after the new Council has completed budget deliberations for the year. In addition to presenting audit reports annually, we will also present a report on the activity of the Fraud and Waste Hotline. This will generally be done mid-year. Our Office also conducts follow-ups on previously completed audits. These follow-ups present an evaluation of management's progress in implementing previous audit recommendations. Follow-ups will be presented as they are completed, generally once or twice a year. This will allow the Audit Committee to focus discussion on this significant activity.

The by-law governing the OAG can be found in Appendix A.

Budget

Beginning in 2012, the annual budget for the Office of the Auditor General is in accordance with the budget strategy for the Term of Council. The 2016 budget for the City of Ottawa Auditor General's Office was \$1,790,000.



Executive Summaries of each Audit

As per protocol, the AG is required to report on any audit recommendation where management and the OAG disagree. For this reporting period, there were no disagreements. The following section presents executive summaries for each of the following audits.

- Audit of the Automated Meter Reading Project
- Audit of ByWard and Parkdale Markets
- Audit of the Environmental Services Department
- Audit of Specific Areas of the Infrastructure Services Department
- Audit of Light Rail Transit Planning and Change Management – Interim Report
- Audit of the ServiceOttawa Program

Acknowledgement

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

Audit of the Automated Meter Reading Project

Purpose

This provides a report for the Audit of the Automated Meter Reader (AMR) Project. This audit was included in the 2015 Audit Plan of the Office of the Auditor General (OAG), approved by City Council in March 2015.

The audit assessed whether the AMR Project was planned, implemented and managed economically and efficiently; and whether the intended objectives (including anticipated benefits), expected efficiencies, cost-savings and service improvements were achieved and reported.

Rationale

In 2006, the City of Ottawa had approximately 190,000 water accounts that were billed based on consumption measured from water meters. At that time, consumption was measured by capturing reads from the exterior of the premises from an outside receiver (i.e., an endpoint) that was wired to the water meter. By 2006 this technology had reached the end of its useful life and obtaining reads at regularly scheduled intervals was becoming increasingly difficult.

In 2006, a report to City Council recommended moving to AMR with Radio Frequency (RF) as the technology was proven, reliable and cost effective. An RF deployment using a drive-by vehicle was to provide savings in meter reading and billing of more than \$20 million over the next 20 years. These anticipated savings would be realized due to staff reduction/avoidance in both meter reading and customer support while supporting future growth, a higher level of reading frequency and an increase in customer confidence and trust in the accuracy of their water bills. The benefits set out in the AMR business case to justify the purchase of a new meter reading system were to:

- Replace the existing meter reading system and its predominantly failing meter reading units (black box/touchpad)
- Manage cost of customer billing services
- Control maintenance costs of the present, out-dated equipment
- Improve job safety and health of meter readers

In 2008, by the time a Request for Expression of Interest (REOI) was issued the industry technology had changed and drive-by technology was displaced by a fixed network technology called Advanced Metering Infrastructure (AMI). Approval of the City's 2009 capital budget brought the available spending authority for the project to \$28.4 million.

By 2009, the City had realized growth and the number of water accounts had reached almost 210,000. Approximately 15,000 of those accounts had meters that were incompatible with the new technology being procured so the project scope called for the installation of approximately 195,000 endpoints.

During contract negotiations the City scoped out the installation of 10,000 of the 195,000 endpoint installations to help reduce overall costs and to give the City an inventory of endpoints to install for training purposes. This scope change reduced the project's overall budget to \$24.99 million, of which \$22.89 million was for the primary contract which included installation of 185,000 endpoints. During the project, the 10,000 endpoints were added back into the contract's scope and 4,000 were returned back from the contractor to the City to install. The City accepted these more challenging installation where there was: a) an incompatible meter, b) the location of the meter was inaccessible, or c) the homeowner/account holder refused the endpoint installation.

Table 1 – Water Meter Project Scope

| Accounts/Endpoints | # of Accounts¹ | Percentage |
|---|----------------------------------|-------------------|
| Water Accounts in 2006 | 190,000 | - |
| Add: City Growth (2006 – 2009) | 20,000 | - |
| Water Accounts in 2009 | 210,000 | 100% |
| Less: Incompatible Meters | (15,000) | (7.1%) |
| Water Accounts Available for Endpoint Installation | 195,000 | 92.9% |
| Less: Endpoints Scoped Out for Budget Purposes | (10,000) | (4.8%) |
| Endpoints in Original Contract Scope | 185,000 | 88.1% |
| Add: Endpoints Added to Scope During Project | 10,000 | 4.8% |
| Less: Endpoints Returned by Contractor | (4,000) | (1.9%) |
| Endpoints Installed by Contractor | 191,000 | 91.0% |

At the end of contract, 91% of the meters in the City had been converted. The remaining 9% were read manually until the meters could be repaired or replaced. The meters that still had to be read manually were scattered through the City, resulting in reader routes being much less efficient with more transportation time between reads. This led to a slower reduction in the number of meter reader staff than planned. The target number of staff was reached in 2016 after a separate meter change out project which commenced immediately after the AMR project.

The project was managed by the Environmental Engineering branch within the Environmental Services department (ESD).

¹ Figures rounded

Findings

The following are findings in the three areas of the audit's scope; Governance, Project Management, and Benefits Realization.

Governance

The AMR project had a governance structure to ensure it was implemented and managed economically and efficiently; however, the project lacked a steering committee and a single business owner was not defined until over three years after the project was completed.

Project goals and drivers were clearly documented and communicated in the AMR Project Business Case, Project Control Manual (PCM) documents, and Reports to Council.

City Council and Senior Management received infrequent but sufficient information that was complete and accurate to inform decision making. A balance scorecard dashboard was presented to Council semi-annually. The Project Team held weekly meetings and the Project Manager held bi-weekly meetings with ESD Management.

The project did report to Council semi-annually and informally to Senior Management; however, given the size and duration of the project we would have expected that the AMR Project would have a project steering (or like) committee to provide guidance, direction and control. In a project such as this where there are multiple project sponsors (e.g., ESD, Finance and the Information Technology Services department) there could be requests coming into the project office from all directions. A steering committee consisting of representatives from each of the project sponsor areas can assist in avoiding scope creep, ensuring sound communication to all parties involved, and in ensuring adequate buy-in for all decisions.

Project Management

The AMR project was adequately planned, implemented and managed economically and efficiently.

The AMR project's business requirements and scope were well-defined in the business case, request for qualifications (RFQ), request for proposal (RFP), and final contract. Project stakeholders overwhelmingly stated that they understood the project's business requirements, project scope and intended benefits.

There was regular monitoring and reporting of the project. The project's progress was well-documented through reports and meeting minutes. The City's internal project management team held bi-weekly AMR project update meetings and produced a monitoring report. The contractor and the City held weekly meetings to review the project status, deliverables and produce weekly deployment reports, which included project dashboards.

The City tracked costs throughout the project using a cost-tracking spreadsheet that was updated every time an invoice was sent from the contractor to the City. Expenditures were compared with the budgeted amount to ensure the project was not going over budget and in the end the project came in under budget.

Lessons learned were documented for the IT technical portion of the project but there was no lessons learned exercise conducted at the end of the over-arching project. A lessons learned document would have allowed the City to assess strengths from their management of the project and opportunities for improvement in future projects.

There was an established Return-to-Utility (RTU) process implemented on the project. An RTU is an endpoint that is returned to the City by the contractor when they were unable to complete installation for various specified reasons (e.g., customer unavailable, customer refusal, incompatible endpoint, etc.). All of the RTUs would be assessed for validity, with all valid RTUs being approved by the City and invalid RTUs sent back to the contractor. The City did investigate why some installations were not completed as scheduled.

Near the end of the project, a dispute occurred between the contractor and the City. In July 2012 the City asked the contractor for a price quote to finish the 10,000 endpoints that had originally been held out of scope by the City. As part of this request it provided the contractor with a list of these 10,000 accounts. Subsequently, during its review of RTUs, the City discovered that the contractor was installing endpoints on meters that were on this list of 10,000 without its approval. It was determined that the contractor was selecting locations where endpoints were easier to install than those on the list of 185,000 in-scope meters. They were doing this to more easily meet their overall targeted requirement of 185,000 installs.

In the end this dispute was resolved, all 195,000 endpoints originally in-scope were successfully installed, including the 10,000 installs originally scoped out, and the project remained on schedule and budget.

Benefits Realization

Most of the AMR project's intended objectives, expected efficiencies, strategic goals and service improvements were achieved; however, the AMR project did not comprehensively track or report cost-savings or on the achievement of the strategic goals it had planned.

Objectives achieved by the project were the renewal of infrastructure, improving job safety and effectiveness, having endpoints installed in the targeted percentage of homes, and realizing efficiency gains and cost savings with respect to the number of meter readers employed. Though savings have been realized as a result of the reduction in staff, to date the amount of cost savings realized from the implementation of AMI has not been reported on.

Though there was no tracking mechanism to compare customer satisfaction before and after the AMI implementation it is clear that the expected service level improvements were achieved. AMI now provides the City with hourly data on each account's water consumption so if a customer calls with questions regarding their water bill the City has the ability to better address the customer's concerns. Prior to AMI, meter reads were done three to four times per year and monthly water bills were based on estimates derived from these reads so it was much more difficult to respond to customers' questions regarding their water bills. Further, the City can better help customers detect leaks with hourly water read data.

ESD now uses hourly water consumption data to assess water system performance to more precisely identify and determine the location of the system leaks, thus assisting with water conservation. The Infrastructure Services department (ISD) also uses this data to plan future infrastructure needs to support urban growth.

Conclusion

The AMR project had a governance structure and mechanisms in place to ensure the project was implemented and managed economically and efficiently. However, a steering committee should have been put in place to better govern the project.

The project was generally adequately planned, implemented and managed, with clearly defined business requirements and project scope. However, while the decision to scope out 15,000 incompatible meters and then an additional 10,000 endpoints did keep the project budget under \$25 million, it also had negative impacts. The meter reader routes in 2013 at the end of the project were inefficient so the anticipated

reduction in the number of meter readers was not fully achieved until the end of the subsequent meter change-out project in 2016. In addition, the structure of the contract led to a dispute as the contractor paid its endpoint installers a fixed price per install which in turn led to them cherry-picking installation sites to minimize their installation time.

Lastly, most of the AMR project's intended objectives, expected efficiencies, and service improvements were achieved and reported on. However, the AMR project has not comprehensively tracked or reported on cost-savings and as noted above the savings related to reducing the number of meter readers was partially deferred.

Recommendations and Responses

The audit resulted in a number of recommendations, as listed below. Please refer to the full audit report for additional details.

Recommendation #1

That the City define and adopt an approach for defining when a formal steering committee is required, including factors such as project size and duration, project risk and complexity, and the capability and experience of the organization to manage the project.

Management response:

Management agrees with this recommendation. The City's project management methodology already contains guidance on governance and stakeholder management. The need for a formal steering committee is dependent on the unique needs of each project and it is the project manager's responsibility to bring together stakeholders, clients and the project authority to ensure appropriate governance. Management recognizes that enhancements can be made to provide further guidance on when a formal steering committee is required and as such, management will update the Project Management Policy and Framework. This update will occur by the end of Q1 2017.

Recommendation #2

That the City expand the Project Management Policy to require a clear definition of the business owner at the outset of the project.

Management response:

Management agrees with this recommendation. While the City's project management methodology does contain guidance on governance and stakeholder management, management recognizes that enhancements can be made to clarify the role of a business owner. As such, management will update the Project Management Policy, Framework and Project Charter template to require a clear definition of the business owner at the outset of the project. This update will occur by the end of Q1 2017.

Recommendation #3

That the City, for future projects of similar scope and scale, consider including both variable and fixed pricing mechanisms in the contract to provide incentives for contractors to carry-out their contracted duties in a manner that is consistent with the City's objectives.

Management response:

Management agrees with this recommendation. For future projects of similar scope and scale a detailed assessment of potential Bases of Payment, which could include the use of variable and/or fixed pricing mechanisms, will be undertaken and documented as part of the development of the procurement strategy. It is expected that this will be implemented in Q1 2017 contingent upon when projects of similar scale and scope arise.

Recommendation #4

That the City should consider the value of assessing and reporting on the amount of cost savings and benefits realized to date to provide stakeholders and interested parties information on whether the project achieved its intended objectives.

Management response:

Management agrees with this recommendation. Consideration will be given to determine how to assess and report back to interested parties and stakeholders on the outcome of the AMR project and whether or not the intended benefits were achieved. City staff will complete this reporting in Q3 2017.

Audit of ByWard and Parkdale Markets

Purpose

The Audit of the ByWard and Parkdale Markets examined the management practices and processes within and supporting the Markets Management Section (Markets Management or the Section) which provide the City of Ottawa (City) with reasonable assurance that: the City's assets are safeguarded and controlled, the Markets Management's operations are carried out effectively and efficiently, and are adequate to support the ByWard and Parkdale Markets (Markets) in achieving their objectives.

Rationale

Markets Management operates one of Canada's oldest and largest public markets – the ByWard Market – visited by approximately 50,000 people each summer week-end and represents one of the top tourist attractions in Ottawa. Sound management practices are crucial to ensure that the Markets Management is safeguarding the City's assets and that the activities are aligned with the vision established for the Markets. This audit will also serve as a basis for input to proposed changes to the governance structure of the Markets.

Audit Objectives

The overall objective of this audit was to determine whether the key systems, practices and procedures selected for examination, which support the Markets, are providing the City with reasonable assurance that its assets are safeguarded and controlled, its operations are carried out effectively and efficiently, and that they are adequate to support these markets in achieving their objectives.

The following systems, practices and procedures were prioritized based on an assessment of risks:

- Corporate governance and oversight;
- Strategic and business planning, risk management, and performance measurement and reporting;
- Human resource management;
- Marketing and promotional activities;
- Internal controls and the safeguarding of assets;

- Stakeholder grants, agreements and relations; and
- Leasing and contract management.

Findings

As noted above, the audit focused on seven key areas of Markets Management. The key findings associated with each area are as follows:

1. Corporate governance and oversight:

- Markets Management is led by a Lead Officer and supported by two Markets Management Officers and one Coordinator, Markets Stakeholder Relations and Communications (collectively referred to as Officers). The Program Manager, Licensing, Markets and Events Central Unit was responsible for oversight of the activities of Markets Management during the course of the audit.
- Decisions related to the day-to-day operations of Markets Management are left to the Lead Officer and his team with limited oversight by the Program Manager. The Lead Officer and his team, with limited support, oversight and supervision of their activities, are performing their duties in an environment that has ineffective systems and processes with limited internal controls. The highly operational nature and limited resource capacity of Markets Management fosters an environment that is reactive as opposed to proactive in the management of the Markets.
- In recent years, Markets Management has been realigned multiple times to different portfolios to find the most appropriate fit. Prior to 2004, Markets Management was aligned under Economic Development. From 2004 to 2009, the Markets Management Program Manager reported directly to Property Management within Real Property and Asset Management (RPAM). During this time, there were also changes in the leadership of Property Management and RPAM. From 2009 to 2015, Markets Management reported directly to the Chief of By-Law and Regulatory Services within Emergency and Protective Services. During this time, there were also changes in the leadership of By-Law and Regulatory Services as well as Emergency and Protective Services. Further, in 2015, Markets Management was realigned to Security and Emergency Management and more recently, in July 2016, Markets Management was realigned to Economic Development under the Planning, Infrastructure and Economic Development department. The continuous

change in ownership of Markets Management over time, its relative size to other sections within the Program Manager's portfolio and City Council's approval to pursue an option to transition the governance of Markets Management to a Municipal Services Corporation (MSC) has resulted in limited management oversight and attention paid to the day-to-day activities of the Markets Management Section.

2. Strategic and business planning, risk management, and performance measurement and reporting:

A) Strategic Direction of Markets Management

- Since 2009, when initially drafted, no revised business plans have been established for Markets Management. Further, based on the review of available documentation, no evidence was available to demonstrate that the actions committed to in the Parkdale and ByWard Markets 2009 Business Plans were ever undertaken, monitored or reported on.
- Markets Management is striving to maintain and make prosperous the Markets, but limited activities have been undertaken and insufficient resources have been allocated to formally achieve the strategic direction established in the 2009 Business Plans. Overall, no accountability has been assigned for a corporate champion to establish and monitor the 2009 strategic vision of the Markets.
- Over time, a lack of priority has been given to Markets Management as it has been transferred multiple times to different portfolios to find the most appropriate fit. Markets Management has not received the requisite leadership/senior management oversight to enable the Section to establish appropriate priorities and ensure that they receive the necessary support to achieve the objectives established.

B) Proposed Direction of Markets Management

- The original direction provided by City Council in 2013 to explore options for the future of the ByWard Market met at least one of the criteria for requiring a formal business case – as per the City's Project Management Framework. However, the recommendation presented to City Council to pursue an MSC governance model was not based on the results of a completed business case with a formal options analysis.

- While not completing a City of Ottawa business case template, the City did undertake activities to support the recommendation to move towards an MSC for the management of the ByWard and Parkdale Markets. The Project for Public Spaces (PPS), a third party with expertise in public markets, issued a report in April 2016 which outlines that various options were explored with the City's legal department but that establishing an MSC would be the most effective option to ensure the long-term success for the Market.
- Appendix B to PPS' report provided a detailed analysis of existing market governance structures that were analyzed as case studies and used as input for the recommendation to proceed towards an MSC. Eight markets in Canada and the United States were analyzed which all had or were in transition towards a similar governance structure; a not-for-profit corporation. At the end of the analysis, a listing was provided on other forms of public market ownership structures in Canada (e.g. St. Lawrence Market, which is City-owned); however, no similar detailed analysis was provided. Without a fulsome options analysis, the City cannot be assured that it is proceeding towards an option that is the most effective and economical to meet the City's long-term vision for the Markets.

3. Human resource management:

- The operational requirement for the Market to be open 7-days a week from 6 a.m. to 6 p.m. and the limited resources within Markets Management results in overtime incurred by the Officers. Although required by the City's Overtime Policy, no pre-approval is obtained for the overtime incurred by the Officers.
- Limited monitoring is being conducted by the Program Manager on the overtime accruing and being used by the Officers.
- Overtime tracking for the Officers is not submitted to Payroll branch for tracking centrally in SAP, which does not allow information to be available to ensure compliance with the terms and conditions of the Civic Institute of Professional Personnel (CIPP) collective agreement – which the Officers are members of. Examples of non-compliance with the collective agreement were identified.
- It was identified that the Occupational Health and Safety Awareness Training had been completed for all Officers with the exception of two Administration Clerks and five Markets Operations Support employees.

4. Marketing and promotional activities:

- No promotional plan has been established that sets out the particular advertising and promotional activities and/or events for the upcoming year to establish spending targets and ensure that forecasted spending for promotional activities and events are aligned to Markets Management's objectives.
- There is no written agreement between Markets Management and the ByWard Business Improvement Areas (BIA) that stipulates the agreed upon activities/events and associated costs that will be shared to avoid misaligned expectations when incurring costs.

5. Internal controls and the safeguarding of assets:

- While the Markets Management Section has established a standard process to collect and record revenues, the current processes and systems in place for handling cash are insufficient to mitigate the risk of error and potential misappropriation of cash and to ensure compliance with applicable City cash management policies and procedures. Practices observed included:
 - Cash handling, recording and reconciliation may be performed by one person;
 - Access to cash is not sufficiently limited;
 - A lack of documentation for the transfer of custody of cash; and
- Insufficient controls embedded within the system used to track/manage revenues, including the lack of traceability of transactions, open access and system challenges requiring manual overrides allows an individual to make changes to the revenue records without detection.

6. Stakeholders' grants, agreements and relations:

- Markets Management focuses its attention on stakeholders of the ByWard and Parkdale Markets and participates in stakeholder meetings to ensure their activities, to the extent possible, are aligned with those of their stakeholders.
- No key findings were noted over and above those included in finding #4 above.

7. Leasing and contract management:

- Markets Management manages the leases within the Parking Garage building at 70 Clarence.
- Per the terms of the lease with the Head Tenant for the ByWard Market building, base rent is payable in quarterly instalments and is calculated by applying an escalated percentage of “Annual Net Rent” received by the Head Tenant from its subtenants.
- Despite concerns identified in the 2000 Office of the City Auditor Audit Report and the decrease in rent paid to the City for the year 2012, ultimately questioning the Head Tenant’s interpretation of the definition of Annual Net Rent, the City did not exercise its audit rights and a financial audit was not performed of the Head Tenant’s books and records to validate the expenses included in the calculation of Annual Net Rent.
- Due to limited monitoring of the lease by Markets Management since its execution in 1997, matters related to the interpretation and calculation of Annual Net Rent were not identified in a timely manner; potentially resulting in the loss of rental income for the City. In 2013, Real Estate Partnership and Development Office (REPDO) began monitoring the lease closely at the request of Markets Management.

Conclusion

Markets Management staff focus their efforts to ensure stakeholders' needs are being met on a daily basis and that the requirements outlined in the applicable by-laws are being upheld. However, management practices and measures within Markets Management are insufficient to safeguard the City’s assets and to ensure the effectiveness and efficiency of activities in support of the City’s objectives for the Markets. Action should be taken to improve the internal controls in these operational areas immediately as oversight transitions to the responsibility of the MSC.

Opportunities exist, as the City establishes the recommended powers and duties of the MSC to implement City Council’s vision to revitalize the ByWard and Parkdale Markets, to establish the expectations and accountabilities for sound management and efficient, effective operations.

Potential savings

The following are potential saving opportunities for the City relative to Markets Management:

- Reassessing the resources required to manage the Markets operations during peak season may reduce the amount of overtime and vacation payouts incurred by Markets Management.
- Completing a cost-benefit analysis of the advertising and promotional activities to ensure value-for-money.

Recommendations and Responses

The audit resulted in a number of recommendations, as listed below. Please refer to the full audit report for additional details.

Recommendation #1

That the City embed, as part of the powers and duties established for the proposed MSC, the requirement for the MSC to develop strategic/operational objectives, with corresponding performance indicators, aligned to City Council's approved vision for the MSC. Measurement against the indicators should be performed and reported regularly to the MSC Board and to City Council.

Management response:

Management agrees with this recommendation.

The Byward and Parkdale Market Revitalization Project was initiated following a report to Council in May 2016 wherein staff were directed to pursue the Municipal Service Corporation (MSC) model for the Byward and Parkdale markets.

Considerable analysis and consultation took place in advance of that report and recommendation. A formal business case will be presented to the Finance and Economic Development Committee (FEDCO) and Council along with a proposed governance structure in February 2017.

As a part of the proposed governance structure and supporting business case, accountabilities of the City, the new MSC, its board of directors and staff will be clearly articulated and will align with the approved vision for the Byward and Parkdale Markets.

City Council will be responsible for strategic policy direction and oversight of performance, plans and policy. The City will require the MSC to submit a corporate plan to Council annually. The plan will encompass all of the business and activities of the corporation, its objectives for the period (one to five years) to which the plan relates, and its expected performance for the year.

Recommendation #2

That the City develop a process which ensures that full documentation of business cases and options analysis therein to support the recommendations, are developed, approved, and retained prior to Committee or Council presentation. As the City is establishing the powers and duties of the proposed MSC, consideration should be given to how the City will maintain oversight to fulfil its fiduciary responsibility over the operations of the MSC, including the right to conduct periodic audits on the operations of the MSC.

Management response:

Management agrees with this recommendation.

A formal Business Case process has been developed and documented in the Corporate Business Case Development Guidelines. The detailed guidelines were approved by City Council on April 9, 2014. The guidelines were communicated to staff through management bulletins and other internal communications channels. The creation of a business case is also a requirement under the City's Project Management Policy. In addition to the guidelines, a formal, two-day Business Case Development training course has been implemented by the Learning Centre, and is offered several times annually. It should be noted that these guidelines are intended for all business cases, whether or not they are considered by City Council. Staff are expected to properly document a business case before seeking approval, and this is clearly communicated in the guidelines, policy and training related to business case development.

In accordance with Section 203 of the *Municipal Act, 2001* and Section 6 of Regulation 599/06, a formal business case for the proposed Municipal Services Corporation will be completed and will include information such as: options analysis, risk analysis, recommendations, and an implementation plan. This business case will be presented to FEDCO and Council along with a proposed governance structure in February 2017.

Recommendation #3

That the City ensure that when establishing the MSC, consideration be made for the appointment of an independent Board of Directors, who have the collective requisite skills and expertise to oversee the activities of the MSC and the implementation of an appropriate governance framework to allow the City sufficient oversight of the activities and results of the MSC. Strong consideration should be given to the following elements:

- **The right of the City, as sole shareholder, to conduct periodic audits on the operations of the MSC.**
- **Periodic reporting of activities to City Council including budget to actual information with explanations for significant variances, results against key performance indicators and information on the status of management's oversight controls.**

Management response:

Management agrees with this recommendation.

A governance recommendation will be put forward to FEDCO and Council in February 2017. This will include the role of the City (as sole shareholder), board composition, board skill sets, and committee structure. City staff will include high-level performance targets that will align with the approved vision for the Byward and Parkdale Revitalization initiative.

The Board will have a recommended committee structure that must include an audit committee. Results of audits will be reported back to Council as required.

The City will require the MSC to submit a corporate plan to Council annually. The plan will encompass all of the business and activities of the corporation, its objectives for the period (one to five years) to which the plan relates, and its expected performance for the year.

Recommendation #4

That the City ensure that lease clauses are clearly articulated and understood, prior to finalization, to avoid misinterpretation between the parties. Additionally, once a lease is executed, contract management monitoring responsibility should be formally assigned to a party with the appropriate skills and support to ensure adherence to the terms and conditions of the lease, including exercising the right to audit clause at appropriate points during the lease term.

Management response:

Management agrees with this recommendation.

Each unit has a role to play in the leasing process. REPDO acts as the leasing agent (advertising space and negotiating with Tenants) and interprets the lease documents when requested. REPDO works hand-in-hand with Legal Services (who reviews the lease document, provides legal advice, etc.) as well as the client group (in this case Markets Management) responsible for the facility containing the rental space. Markets Management maintains a day-to-day relationship with the tenant and engages both REPDO and Legal Services when required.

Management will review the current contract management monitoring process as part of the work being undertaken to establish the MSC and will include the results of this review in the governance report being brought forward to Committee and Council in February 2017.

Recommendation #5

That the City implement more robust internal controls for the handling of cash by Markets Management to ensure compliance with the City's Cash Handling Policy and Procedures and the Change Float Policy and Procedures, considering the following:

- **Maintenance of a signed copy of the Cash Handling Indemnity Form for each employee, including Ambassadors, who is or may be involved in the handling of cash;**
- **Requiring that cash be counted, totaled, and signed off by the cash handler when cash is being transferred from one person to another;**
- **While the implementation of a Point of Sales (POS) for a short period of time might be uneconomical, consideration should be given if the period is extended;**
- **Preparing a cash deposit and reconciling the Markets Management System (MMS) on a daily basis;**
- **Segregating duties between the person responsible for processing the summary report in MMS, preparing the related cash deposit, and the person who cancels receipts;**
- **Limiting, to the extent possible, the number of individuals who have access to the safe;**

- **Requiring that the cash box in the safe be locked and that a chain of custody log be maintained when the cash box is accessed or removed from the safe; and,**
- **Use and safeguarding of City of Ottawa Receipt Books for manual processing as per the Cash Handling Policy and Procedures.**

Management response:

Management agrees with this recommendation.

Markets Management have commenced the review of specific cash handling procedures to address the proposed OAG considerations in this report to ensure compliance with the City's Cash Handling Policy and Procedures and the Change Float Policy and Procedures. As of October 2016, three of the eight considerations have been fully implemented. Review of the remaining considerations will be completed by the end of Q1 2017.

Recommendation #6

That the City ensure that all operational departments handling cash are compliant with the corporate cash management policies and procedures to prevent mishandling of funds and to safeguard against losses.

Management response:

Management agrees with this recommendation.

City departments are responsible to ensure staff comply with the Cash Handling Policy and Procedures. These requirements are outlined in the policy and any updates to the policy are communicated to staff through management bulletins and other internal communications channels.

Specific to this audit, Markets Management will ensure staff in the unit handling cash are compliant with the corporate cash handling policies and procedures. Process improvements have been made to ensure ongoing compliance with the Cash Handling Policy and Procedures, and compliance requirements have been communicated to staff. As noted in the management response to Recommendation 5, three of the eight considerations have been fully implemented. Review of the remaining considerations will be completed by the end of Q1 2017.

Recommendation #7

That the City develop appropriate processes to ensure compliance with the City of Ottawa Overtime Policy and the CIPP collective agreement and to embed the appropriate internal controls related to managing overtime. This would include approval of all overtime in advance, appropriate calculation of overtime in line with the CIPP collective agreement, submission of overtime worked to Payroll branch for tracking in SAP, and ensuring ongoing oversight of overtime incurred and time-off-in-lieu (TOIL) taken by Markets Management.

Management response:

Management agrees with this recommendation and it has been implemented.

Management has recently implemented new procedures to address the appropriate tracking of overtime.

Overtime worked may be required due to operational requirements on any given shift or may be planned for events, covering for other staff, etc. The small complement of full-time staff (four) and the hours of operation (6 a.m. to 6 p.m.) leave very little room for flexible scheduling to reduce overtime.

The Program Manager, Markets Management with the assistance of Payroll, has implemented the following new procedures with staff for the approval, recording and, the monitoring and oversight of overtime:

- The Program Manager signs off on the schedule monthly, which may include overtime shifts for planned events;
- Staff inform the Program Manager of any planned overtime not recorded on the schedule;
- All overtime worked is now recorded in SAP through Employee Self Serve, where appropriate controls are in place to ensure there are documented approvals of overtime worked and overtime banks are limited to 100 hours as per the CIPP collective agreement; and,
- The Program Manager has taken the necessary steps to ensure that the payment of overtime is being completed fully in accordance with the CIPP Collective Agreement.

Recommendation #8

That the City establish a marketing and promotional plan at the outset of the next fiscal year. Based on this plan, the City should establish a formal cost-sharing agreement with the ByWard BIA that includes expectations related to the level of support required for reimbursement of costs incurred. As the City transitions towards a proposed MSC to oversee the operations of the Markets, considerations should be made as to the formality of the cost sharing activities with external parties.

Management response:

Management agrees with this recommendation.

In early 2016, Markets Management staff initiated an events calendar and discussed cost sharing plans with the BIA's Executive Director. The outcome of those discussions has led to verbal agreements and documentation outlining proposed and actual costs.

Markets Management and the BIA Executive Director are working towards a formal cost sharing plan for promotions and advertising for 2017. This will be completed by December 31, 2016.

Recommendation #9

That the City implement measures to review and confirm supporting documentation for all BIA invoices, to demonstrate receipt of goods and services relative to the City, prior to approval for reimbursement.

Management response:

Management agrees with this recommendation and it has been implemented.

A monthly summary report of shared expenditures with supporting invoices is being provided to the Program Manager for review and approval prior to financial processing.

Recommendation #10

That the City take action to post the Health and Safety Policy for employees and ensure that all Markets Management staff complete the Occupational Health and Safety Awareness required training in a timely manner.

Management Response:

Management agrees with this recommendation and it has been implemented.

On October 27, 2016 Management posted the Health and Safety Policy for employees. As of November 10, 2016, all Markets Management staff have completed the Occupational Health and Safety Awareness Training.

Audit of the Environmental Services Department

Purpose

This audit examined the effectiveness and efficiency of the human resource management practices and processes within certain branches of the Environmental Services Department (the Department)¹.

Rationale

The City of Ottawa, through the Environmental Services Department, delivers essential services to protect the health and well-being of residents, and the quality of the City's air, water and land resources. The Department's mission is to provide environmental services that balance the protection of the City's natural resources with planned growth requirements and fiscal constraints. In 2015, the Department had a workforce of 702 Full Time Equivalent (FTE) positions responsible for managing \$18 billion of City assets. Sound management of human resources is crucial to deliver these services in a timely, efficient and effective manner for operational success.

The objective of this audit was to determine whether the Department is managing its human resources in a way that supports the achievement of the departmental objectives and provides the City with reasonable assurance that its operations are carried out effectively, efficiently and in compliance with applicable policies.

The scope of the audit included all operational branches of the Department with the exception of the Solid Waste Services branch, as an audit of Solid Waste Services is planned for the near future. Within the remaining branches, specific units selected for detailed audit testing were as follows:

- Drinking Water Services – Water Production (East and West Units) and Water Distribution Unit
- Environmental Business Services – First Response Section of the Customer Contact Unit

¹ On July 13, 2016, the City merged the Environmental Services Department with the Public Works Department to form the new Public Works and Environmental Services Department. This new department is led by the General Manager, Public Works and Environmental Services.

- Surface Water Management Services – Stormwater Management Unit, and
- Wastewater Services – Wastewater Treatment Unit and Wastewater Linear Network Section of the Wastewater Collection Unit

Findings

The audit focused on seven key areas of human resource management. The key findings associated with each are as follows:

1. **Governance and Oversight:** The Department uses various systems (SAP, Maximo and Maximo Mobile) to schedule and allocate work activities. These systems can aid in providing useful information to determine optimal levels of resourcing to achieve departmental objectives. However, the Department's management currently does not have a standardized approach to planning and scheduling work, or monitoring unit performance and productivity.
2. **Allocation of Resources and Scheduling and Assignment of Work:** Amongst and within the branches of the Department, different processes and practices are in place to schedule and manage work. As a result, the quality of scheduling and work order management varies across the Department. We found opportunities for improvement regarding job plan estimates, formal assignment of work and route scheduling. Improving the quality of scheduling and work order management is important to minimize employee idle time and ensure the most efficient use of available resources.
3. **Management of Assets in Support of Fieldwork:** Each branch and unit within the Department has developed their own informal practices to manage the release, use and return of City vehicles and equipment. Supervisors and managers do not confirm the return of all keys daily. Improved monitoring of the use of these assets, for example, installation of GPS, would help ensure that they are being safeguarded and used exclusively for City activities, in line with the *City's Personal Use of Vehicles Policy*.
4. **Systems and Processes to Support Accurate Time Reporting:** The Department has not provided clear guidelines to staff for charging time against non-specific work order codes such as "Administrative" or "Miscellaneous", resulting in inconsistent practices. For example, the recording of travel time may be included as part of labour hours or tracked separately. Without a standard approach to recording non-specific work activities, the Department's management and supervisors cannot evaluate whether the times reported are reasonable. Further, it does not allow for comparison of productivity across and

within branches, or the ability to assess the overall impact on human resource capacity needs.

- 5. Monitoring of Work Performed:** The audit examined supervisory oversight practices in the Department. Inconsistencies exist in current practices, for example, supervisory site visits are performed regularly by some and infrequently by others. Site visits can provide valuable insight to supervisors on the productivity of their field teams.

The Department's management currently does not have a standardized approach to monitoring employee performance and productivity. While some units use performance metrics, there are limited measures to monitor productivity, such as work order completion time. In several units, performance and productivity monitoring is only performed when assessing or responding to a particular performance issue or concern. As a result, management does not have reliable information to evaluate the efficiency and effectiveness of the workforce.

- 6. Management of On-call and Overtime:** We found that practices such as staggering work shifts and more scheduling of contractors during regular working hours has contributed to a favourable trend in overtime costs, with a 35% reduction (approximately \$779,000) when compared with the same period one year earlier.
- 7. Performance Management:** The City does not currently have a formal monitoring process for the status of the completion of the annual Performance Development Program for CUPE staff, who represent approximately 80% of the staff in the branches within the audit scope. Based on a sample of employees, we found that only 24% of the individuals selected had a completed 2015 Individual Contribution Agreement (ICA) on file. Further, 52% of the employees selected either did not have a completed ICA in their personnel file, or their most recent one was dated over four years ago. Employees are not receiving formal job performance feedback in a timely manner to enable them to identify opportunities to develop their skills.

Conclusion

In order to fulfill its mandate, and efficiently and effectively manage its resources, the Environmental Services Department branches must schedule resources, allocate work orders, oversee the work and measure results; both at a unit level and an individual level.

The practices currently in place across the Department to schedule, manage and allocate work to staff are inconsistent. In some units, this restricts the ability to hold individuals accountable for job performance, and it does not allow for sufficient supervisory oversight and measurement of productivity. Further, supervisory oversight practices, in many cases, do not provide the insight to supervisors of the activities of their staff and do not allow them to validate the activities reported on work orders and timesheets. Finally, a standard approach to measure unit performance has not been established across the Department and for the most part, does not consider productivity measures and targets.

Overall, improvements are required to standardize the work order management process and associated monitoring of departmental staff to allow for improved accountability, productivity and oversight. Existing good practices and technologies used within the branches should be considered for adoption across the Department.

Potential savings

The following are potential saving opportunities for the City relative to the Department:

- Standardized scheduling and work order management processes will reduce supervisory time in the allocation of work to staff and improve the effectiveness of planning of appropriate staffing levels.
- Implementation of the Maximo Mobile solution would reduce duplication of efforts through the elimination of paper work orders and the streamlining of the data entry process. More specifically, staff will be able to update the status of work orders directly in the field, eliminating the need for data entry at the end of the day.
- Improved supervisory oversight and time reporting against non-specific work orders will help supervisors identify productivity issues on a timely basis, and enable more effective planning of appropriate staffing levels.
- The consideration of route planning in the scheduling of work orders may reduce the gas and maintenance costs of the vehicles used by staff along with travel time. More specifically, route planning will enable staff to complete more work orders in less time by reducing their time spent on the road.

Recommendations and Responses

The audit resulted in a number of recommendations, as listed below. Please refer to the full audit report for additional details.

Recommendation #1

That the Department implement a standardized approach to scheduling and managing work orders across the Department. This should include formally assigning work orders to staff based on priority and geography and the establishment of formal route planning strategies. Consideration should be given for the implementation of Maximo Mobile for units currently using Maximo. A phased approach by unit may be most prudent until existing technological issues are resolved.

Management response:

Management agrees with this recommendation.

As a newly formed department Public Works and Environmental Services (PWES) is beginning the process of harmonizing operational practices and guidelines across the department. There are many operational synergies throughout the PWES branches and most operational units have established work order procedures; which, with adequate resources and technology, can be further developed to fit within a consistent departmental approach.

Resources have been identified within the department that will implement a project to support this process by evaluating and identifying current functionalities of SAP and Maximo that are not being utilized to their full capacity. Additionally, the project will identify any potential upgrades that may facilitate an enhanced and consistent approach to managing work orders in both SAP and Maximo.

The first phase of this initiative will focus on evaluation, assessment and analysis. This phase will be completed by Q4 2017 and will form the larger project plan for implementation moving forward.

Recommendation #2

That the Department update existing job plan estimates within SAP and Maximo on a regular basis, based on the knowledge and experience of supervisors, maintenance planners and employees. Consideration can also be given to expanding the use of job plan estimates where feasible.

Management response:

Management agrees with this recommendation.

As part of the 2017 PWES work plan, the department will be moving forward with a project to provide historical data to help identify past averages for completing different jobs. This will be the first phase of a multi-phase project to develop more accurate job plan estimates. This phase will be completed by Q4 2017.

Upon completion of the first phase, the department will be in a position to evaluate the timelines for the subsequent components of the project. This will include consultations with supervisors and maintenance planners and, the necessary support for updating the information in SAP and Maximo.

Recommendation #3

That the Department establish a standard set of non-specific work order codes, including formal guidelines on how and when to use them, to enable the effective monitoring of resource capacity and administrative costs to identify areas for improvement in productivity and cost management.

Management response:

Management agrees with this recommendation.

As a newly formed department PWES is in the process of harmonizing policies and guidelines in all areas of operations. This process will be a component of a broader comprehensive alignment strategy for PWES. The first phase will be focused on evaluating and assessing the existing policies and guidelines and identifying the operational gaps. This phase will be completed by Q4 2017.

Resources have been established within the department to support the implementation of a standard set of non-specific work order codes with the necessary configuration, documentation and training once the guidelines have been established. Upon completion of the first phase, the department will be in a position to evaluate the timelines for the subsequent components of the project.

Recommendation #4

That the Department adopt a consistent approach to tracking travel time for all work orders.

Management response:

Management agrees with this recommendation.

The functionality currently exists in both SAP and Maximo to track this information however; the benefit of time-tracking for all work orders needs to be evaluated against the amount of operational staff time that would be dedicated to performing the task of time-tracking.

This level of detail would require the establishment of a new business process and the revision of the existing paper forms to capture the additional layers of information. Capturing this additional level of detail will require additional time for operational staff to further break down how their time is spent in the field, along with additional time for data entry into SAP and Maximo.

Management will pursue the development of more robust job plan estimates and reserve any actual time-tracking for specific circumstances to be evaluated on a case-by-case basis. The first phase of this initiative will focus on data collection and analysis and will be completed by Q4 2017. Upon completion of the first phase, the department will be in a position to evaluate the timelines for the subsequent components of the project.

Recommendation #5

That the Department establish an appropriate set of metrics and targets to improve the evaluation of departmental performance and productivity.

Management should establish a regular review of performance results against targets and take appropriate actions, as necessary.

Management response:

Management agrees with this recommendation.

Departmentally, there are many units with established metrics and reporting procedures and PWES will be leveraging synergies between branches to develop more consistent and meaningful metrics and targets. This will also be dependent on acquiring appropriate technology and resources to record, interpret and disseminate the data.

Staff are evaluating the potential upgrades to newer versions of Maximo and SAP, which would provide improved reporting functionalities. Additionally, the implementation of a new business intelligence tool (e.g. Cognos, Tableau, Qlik, and Microsoft Dynamics etc.) would allow for more robust, powerful and multidimensional

reporting capabilities to improve the evaluation of ESD performance and productivity across all systems.

PWES will be developing a comprehensive departmental strategy to improve the evaluation of performance and productivity by Q4 2017.

Recommendation #6

That the City establish clear expectations for supervisory oversight, including:

- **The review and approval of daily timesheets and work orders.**
- **The completion and documentation of the results of site visits of field teams for regular review with operational management.**
- **An appropriate level of documentation necessary to demonstrate ongoing monitoring activities (e.g. supervisor log book or annotations on the work order).**

Management response:

Management agrees with this recommendation.

There are currently well established supervisory oversight practices across the department however, because PWES is a newly formed department, the approaches are inconsistent. As the department continues to harmonize, there are plans to host a department-wide mandatory supervisory forum that will review core accountabilities for supervisors and managers. This will include consistent business processes for oversight in the following areas:

- Staff time management and reporting,
- Clearly documented information regarding site visits and operational unit meetings,
- Monitoring and recording of work activities, and
- Performance monitoring and development.

The supervisory forum will be added to the 2017 PWES workplan and is expected to be completed by Q4 2017.

Recommendation #7

That the Department implement a program to monitor the use and return of City vehicles and equipment. Consideration should be given to the installation of GPS in departmental vehicles.

Management response:

Management agrees with this recommendation.

PWES will be evaluating the implementation of GPS technology in the departmental fleet. This initiative will be considered as part of a broader mobility program for the department and will be implemented as funding permits. The project plan will be developed by Q4 2017.

Recommendation #8

That the Department ensure that all managers and supervisors participate in the timely completion of the annual performance development process for all employees.

Management response:

Management agrees with this recommendation.

Performance review and development will be included as a key accountability for managers and supervisors in upcoming mandatory departmental supervisory forums in 2017. Senior leaders will ensure that managers and supervisors have consistent knowledge of, and will ensure timely completion of, the annual performance development process.

Recommendation #9

That the City consider implementing a formal monitoring process over the completion and approval of ICAs for CUPE staff, whereby:

- **Supervisors are responsible for reporting on the status of each ICA they are responsible for completing.**
- **Managers are required to review the reporting prepared by supervisors on a timely basis and follow-up on ICAs which have not yet been completed.**

In the long term, the City should consider the adoption of the e-Performance system for all departmental units because of its capability to report on the status of ICAs.

Management Response:

Management agrees with this recommendation.

PWES will support the corporate-wide strategy once established within the newly aligned organization in 2017.

Audit of Specific Areas of the Infrastructure Services Department

Introduction

The Audit of Specific Areas of the Infrastructure Services Department was approved by Council on March 26, 2014.

Background and Rationale

The Infrastructure Services department (ISD) is responsible for asset management of the City's roads, sidewalks, sewers, watermains, bridges, culverts, buildings, parks and other structures. This includes the design, construction, inspection and administration of the works required for new construction and the rehabilitation and renewal of the City's infrastructure described above and also transit facilities, expansion/modifications of pumping stations, water reservoirs and elevated tanks, sewage and water treatment facilities, stormwater management facilities and solid waste facilities. The current functions of the ISD can be broken down into three branches: Asset Management, Design and Construction and Business and Technical Support.

The Auditor General has completed previous audits related to the ISD and its functions. The two most recent Audits are the Audit of Construction Supervision (ACS) and the Audit of the ISD. This report of the Audit of Specific Areas in the ISD addresses items of concern that were identified in the previous audits and items that have been requested by Council.

Audit Objectives and Scope

The main audit objective was to assess the adequacy and effectiveness of selected aspects of the management control framework within the ISD.

The audit scope comprised four areas specific to the ISD, as well as two areas that are common themes across several audits. The Scope Areas included:

- Completion of Contract Items
- Exercise of Contract Liquidated Damages and Incentive/Disincentive Clauses
- Competitive Process
- Sole Source Limits

- Occupational Health and Safety
- Succession Planning

Findings

The key findings associated with the scope areas are of follows:

1. **Completion of Contract Items:**

ISD maintains a Project Delivery Manual (PDM), which describes in detail the roles and responsibilities of staff for final approval of contract delivery. The PDM is followed by the Project Managers.

Our review of 20 project files showed that the only items that were not completed were provisional items. Provisional items are identified “in case” they are needed. They are included at the start of the contract so competitive prices are obtained for those, but they are not always required.

In instances where there was a change in the project scope, the work was completed consistent with documented change orders.

2. **Exercise of Liquidated Damages:**

Of the 20 projects reviewed in this audit, only two were completed late without prior City authorization. In one of the projects, the contractor was able to demonstrate that Substantial Performance had in fact been achieved within the time allotted. In the second project, where the contractor did not complete the work before the Substantial Performance date, the City exercised its right to charge the contractor for liquidated damages. The City recovered its costs resulting from the delay.

3. **Competitive Process:**

The City of Ottawa posts all bidding opportunities greater than \$100,000 on MERX¹ and the Ottawa Construction Association (OCA)² who both post the opportunities on their websites for viewing by the general public. Bids where the complexity of the requirement necessitates a more formal process, despite the opportunity being valued at less than \$100,000, are also posted on MERX or the OCA’s websites. All bidding opportunities less than \$100,000 are posted on the City’s Ottawa.ca website.

¹ MERX is a Canadian electronic tendering service.

² OCA services Ottawa’s non-residential construction industry and provides access to and information regarding tenders on its website.

Bids are not posted on MERX, OCA, or the City's website in the following cases:

- Emergency procurements,
- Non-competitive (or sole source) procurements that meet pre-established criteria,
- When a Request for Qualifications (RFQ) has been previously posted and thus the resulting bid solicitation is sent only to qualified bidders, or
- On Call-ups under existing Standing Offers (a Standing Offer is established by a competitive proposal process).

It can be beneficial to periodically compare highly used contract item prices through readily available information from other municipalities and independent organizations that compile construction cost data. The audit reviewed the unit prices paid by the City for major contract items (e.g., concrete and asphalt) and compared them to two municipalities. We found that in general, the unit prices paid by the City are comparable to those received in other municipalities with the exception of asphalt which requires further analysis due to:

- two of the five comparable municipalities from Ontario responding to our request for unit price information,
- differences in quantities ordered, and
- differences in the asphalt mixes being compared.

4. Sole Source Limits:

ISD awards approximately \$54 million annually in contracts for professional and consulting services managed by ISD. Over the two year period from 2013 to 2014, ISD awarded a total of \$3.33 million in sole source contracts for engineering services (or 3% of the value of total contracts of the approximate \$108 million over the two-year period). Our review of the rationale provided by ISD to the Supply branch for using a sole source process showed that the City applied the Purchasing By-law appropriately; however, we found that there is a lack of documentation related to the level of scrutiny applied in assessing whether particular procurements involve emergencies or where a pre-selected proponent is deemed to have the required expertise without consideration or investigation of other potential suppliers.

5. Occupational Health and Safety:

A management framework is in place to ensure ISD staff training and awareness for Occupational Health and Safety. In addition ISD has:

- published a Health and Safety Manual,
- maintains an active Health and Safety Committee,
- established training requirements for all its staff above and beyond legislated health and safety awareness training,
- completed a hazard identification and risk assessment (HIRA) for all its activities and staff; and
- actively monitored the successful completion of training for all its employees.

6. Succession Planning:

The City identifies Succession Planning as an element of Workforce Planning, with a specific focus on leadership positions and unique, highly specialized positions. While ISD has identified key roles and potential successors, individual development plans supporting the succession plans are not consistently documented.

Conclusion

The Infrastructure Services department has the appropriate foundation to ensure completion of contract items, the exercising of the City's rights for contracted liquidated damages where appropriate, a competitive process to support achievement of reasonableness of contract prices, and limited use of non-competitive contracts consistent with its by-laws. There is an opportunity to enhance both the level of justification provided by ISD, and the analysis and file documentation by Supply branch, to support and assess the reasonableness, and adherence to the Purchasing By-law of sole source requests for professional engineering contracts.

A management framework is in place to ensure staff training and awareness for Occupational Health and Safety, and a succession plan, with key roles and potential successors for ISD, is in place. However, individual development plans supporting the succession plans are not consistently documented.

Recommendations and Responses

The audit resulted in a number of recommendations, as listed below. Please refer to the full audit report for additional details.

Recommendation #1

That the City conduct a further review of its unit prices paid for asphalt with comparable municipalities and benchmarked information to validate whether the prices paid by the City for such materials is best price/competitive.

Management response:

Management agrees with this recommendation.

Management will complete a review of unit prices for asphalt with comparable municipalities by the end of Q2 2017.

Recommendation #2

That the City establish a process to enhance the level of justification provided by the Infrastructure Services department when making sole source requests for professional engineering contracts over \$50,000. Consideration should be given to update Supply branch procedures to enhance analysis and file documentation when sole source requests are made.

Management response:

Management agrees with this recommendation.

The Supply Branch will update its procedures manual to clarify the information required from Infrastructure Services to support a non-competitive purchase for professional engineering contracts over \$50,000, and how this information is to be documented in the procurement file. This update will be completed by the end of Q2 2017.

Recommendation #3

That Human Resources Services establish a corporate process to monitor the completion of development plans for individuals identified as succession candidates for key positions.

Management response:

Management agrees with this recommendation.

Succession planning is an accountability that Council has given to the City Manager who is reviewing this topic with the Senior Leadership Team (SLT). Human Resources in consultation with the SLT will develop a new approach to the succession planning process, including monitoring the completion of development plans and employee progress, by Q2 2017. Development plans will be completed through a revised PDP process to be implemented by Q4 2017.

In the interim, the current process will continue in which managers and employees are responsible for developing, monitoring progress, and ensuring completion of individual employee development plans, including those of potential successors.

Audit of Light Rail Transit Planning and Change Management – Interim Report

Purpose

This provides an interim report for the Audit of Light Rail Transit Planning and Change Management. This audit examined the operational plans, risk and change management processes for City's transition from operating a primarily bus system to operating the combined bus and rail network.

Rationale

The Light Rail Transit (LRT) project is a key part of the Transportation Master plan and aims to make it more attractive and easier for residents and visitors to move through the city of Ottawa using transit. Phase 1 of Ottawa's LRT system is called the Confederation Line. This \$2.1 billion project includes financial contributions from the provincial and federal governments.

As of May and June 2016, the time of our fieldwork, construction of the Confederation Line was underway, and the Line is intended to start full revenue service in the spring of 2018. The City of Ottawa has retained the Rideau Transit Group (RTG) to work on this project as part of a public-private partnership. RTG is a consortium of Canadian and international companies that is currently working closely with the City's Rail Implementation Office (RIO) and Transit Service. Within the City, RIO is the lead on the project and oversees project planning for the overall design, engineering, construction and commissioning of the Confederation Line. RTG will design and build the Confederation Line and maintain it until 2048. OC Transpo (OCT) will operate the LRT system, together with the existing O-Train (Trillium Line) and the bus network.

Many customer-facing and internal systems will undergo significant changes so that the City can operate the new light rail system. The ability to achieve a successful transition from a bus system to a combined bus and rail network requires complete transition plans; an effective governance structure to manage critical risks related to achieving planned targets and successful transition; and a consistent understanding of key elements of system acceptance.

This audit is intended to give City Council assurance that that these processes and structures are in place and working effectively to achieve a successful transition in 2018. The audit team included a Subject Matter Expert (SME) in order to better understand the risk associated with this transition. He has 40 years of experience in bus and rail public transit operations, including being responsible for the operation and maintenance of three North American light rail systems.

Findings

The following are preliminary findings and relate to planning and change management conditions from the time of OCT's Operational Risk Management session in 2015 to the time of the audit in May and June 2016.

At this time, it is not possible to conclude on the audit objectives as several key parts of the transition plans will be further developed in late 2016 and early 2017. Our SME reviewed the timing for these components and deemed it to be reasonable and in line with industry norms. We will perform a second phase of audit fieldwork to verify that key items are completed as expected.

1. The City's plans to transition from operating the bus network to operating the combined bus and rail network

- a. **Planning:** We found OCT's project planning for On Track 2018, its program to adjust to the new system and the related construction, to be thorough. Key planning elements have been identified and addressed to effectively integrate the Confederation Line into OCT's service delivery model and meet the Revenue Service Availability date. In developing the plan, OCT has considered and continues to draw upon information from six comparable rail systems and the advice of two recognized industry experts. Applicable senior management staff from OCT and RIO and the industry experts have also provided input on operational risks relevant to the transition.

OCT management indicates that the operational risk themes and action items will be embedded in their new "Rail Activation Management Program" (RAMP) which will be launched in January 2017.

- b. **Communication plan:** We found OCT's proposed communication strategy to be detailed covering all aspects of the changes affecting customers and other stakeholders that are coming in 2018. The strategy provides a comprehensive

approach to familiarizing users with the benefits of the new multi-modal network in order to enhance customer satisfaction.

- c. **Protocol for Revenue Service Availability date:** We established that a detailed and approved structure is in place which describes the process for RIO to request a delay to the Revenue Service Availability date, should it be required. Also, a group drawn from RTG, RIO and OCT, and other key stakeholders and contributors on the project has been established to manage and coordinate key issues that need to be addressed at the end of the project.

2. Effectiveness of the governance structure to identify and manage critical risks related to achieving planned targets and successful transition

- a. **Vehicle delivery:** Based on our observations to date, the transition to an integrated Bus/Train Rapid Transit system should not be impacted by vehicle delivery delays. While supply chain issues and the training requirements for new staff initially caused RTG to fall behind their production schedule for the vehicles, trained staff have been brought in and oversight increased. RTG is monitoring the progress closely and recently submitted a revised schedule in their monthly update to RIO in May 2016 showing that they will be on schedule for the delivery of the final vehicle. RTG also has contingency plans to deal with delays.
- b. **Training facility:** Based on our observations to date, the driver training program should not be impacted by the train simulator acquisition and/or training facility construction. A Request for Proposal for the simulator was issued in June 2016 and OCT has a detailed procedure to minimize the risk of delay in selecting a quality vendor. The new facility for training operators is an extension of an existing OCT building whose construction will take place outside of current operations therefore having no impact on staff. While OCT's timeline for building the training facility is aggressive, it may not be unrealistic considering the advance research and planning that has been done. Also, OCT's Chief Safety Officer has previous experience in implementing a new training simulator for another system which provides additional confidence in the prospects for success.

- c. **Train Control system:** Based on our observations to date, the transition to an integrated Bus/Train Rapid Transit system should not be affected by delays in getting the Thales Communication-Based Train Control (CBTC) system functioning. The CBTC system being used for the Ottawa LRT is the latest version, and this represents its first integration with this kind of car. However, the Thales CBTC system is a proven product in use in other systems around the world. Our SME believes that after the “normal” integration challenges that occur during every rail system start-up, the CBTC will function at a level that can deliver the service that is promised.
- d. **Maintenance and Storage Facility (MSF) and Control Room:** Based on our observations to date, the transition to an integrated Bus/Train Rapid Transit system should not be affected by delays in the construction of the MSF and control room. As of April 2016, construction of some parts of the MSF and yard control room was three months behind schedule. The understanding of RIO management is that these outstanding items meet the criteria for “minor deficiencies” under the Project Agreement (PA) with respect to the milestone for MSF completion. RTG is currently working 6 days per week and is still aiming for test track readiness in the fall of 2016. In addition to the above-noted items, some aspects of the MSF construction cannot begin until the use of the space for vehicle assembly is complete. Consequently, this work will be performed in 2018.

3. Understanding of key elements related to system acceptance

- a. **Common definition of the 12-day Trial Running period:** During our planning work in April 2016, we noted inconsistencies in the interpretation of the definition of the 12-day Trial Running period between stakeholders. We expect that a common understanding will be established as management indicated they began discussions on all the elements of the 12-day Trial Running period in May 2016. This is sufficiently in advance of its scheduled occurrence in April 2018.
- b. **Process for resolving disagreements related to “Minor Deficiencies”:** We found that the Project Agreement clearly defines the role of an Independent Certifier which is needed for situations where stakeholders may disagree on whether an RTG defect is considered a minor deficiency. The Independent Certifier makes the final decision on these matters.

- c. **Clarity of transfer of responsibilities at critical project juncture:** There is a clear “handoff” process for the transfer of responsibilities between parties. There will be only one handoff to the City which will take place on the Revenue Service Availability date. According to our SME this makes the risk due to complexity low. By the end of 2016, RIO is expected to develop a comprehensive close-out schedule which outlines in detail elements to be met prior to acceptance.

Conclusion

Based on our work performed in May and June 2016, we did not identify any areas of high risk or gaps for the City related to the planning and change management of the LRT project. On the whole, our interim conclusion is that the planning for the transition to a bus and LRT network is thorough and well managed and an effective governance structure is in place. In addition there are strong financial incentives built into the Project Agreement for RTG to avoid schedule delays and achieve the May 2018 Revenue Service Availability date. As it is early in the process, there is opportunity for time lost in delivery of certain elements of the PA to be recouped. In the opinion of our SME, OCT is ahead of where most rail systems are at this point in the start-up of a new system.

While at this point in the project it is impossible to guarantee that the transition to a combined BRT/LRT network will go smoothly, there was nothing we observed that we believe should have been in place that was not. That said there were a number of audit questions that were unable to be answered during this phase of fieldwork which will be addressed during the second phase of the audit.

We will be able to provide a final opinion once we have completed the recommended outstanding audit work in early 2017. During the second phase of this audit we will examine components related to the Communication Strategy, protocol for Revenue Service Availability, the vehicle and facility construction, the Thales CBTC integration, the close out schedule, and the Trial Running Test Plan. These components of the project are scheduled to be completed between summer 2016 and Q1 2017.

Management Response

Management agrees with the findings of the interim audit report, which confirm the robust and comprehensive program that has been put in place to manage the transition to a multi-modal operation.

Construction of the Confederation Line and planning for the transition to a new combined transit system is a complex, integrated project that has continued to advance since the conclusion of the audit fieldwork in May to June 2016.

In examining the originally recommended service, a key enhancement identified by Transit Services was the addition of a rail operator training facility and simulator. This project allows for a leading edge approach to training rail operators including the use of a simulator that assists operators to learn both how to operate the train and to fully understand the right-of-way setting. Following the development of a project charter and workplan, the training facility project is moving forward. Currently, the procurement process is complete and construction activities are well underway for the new facility and development of the simulator. It is anticipated that the simulator will be operational by Q3 2017.

The corporate re-organization also resulted in the formation of a new Transportation Services Department that includes O-Train Construction (formerly called the Rail Implementation Office (RIO)) and Transit Services both reporting to the General Manager of the Transportation Services Department. This alignment brings the construction team and operations team together, allowing for enhanced coordination, integration and improving the transfer of the project from construction to operations.

Audit of the ServiceOttawa Program

Purpose

This audit was conducted to determine whether the City of Ottawa (“the City”) received value for money from the ServiceOttawa Program. A value for money audit delves into the underlying operations of the City to assess both cost effectiveness and the service enhancements citizens are receiving. Reviewing value for money is important for local governments, because it allows them to examine how well their programs and activities are being managed, specifically for efficiency purposes.

Rationale and Objective

The City of Ottawa planned to invest over \$79¹ million dollars in the ServiceOttawa Program to achieve approximately \$39M in anticipated annual savings. Anticipated annual savings consists of both cost savings (\$35M) and increases in revenue (\$4M).

The ServiceOttawa Program was divided into nine (9) initiatives that were intended to deliver service improvements and efficiencies across the City. The overall objective of this audit was to determine whether the City received value for money from the ServiceOttawa Program and whether the outcomes of the ServiceOttawa Program met the stated expectations of cost savings, return on investment, and service enhancements.

The Auditor General originally tabled a value for money audit of the ServiceOttawa Program in 2013. The Auditor General agreed not to include the audit in his 2013 plan, since the ServiceOttawa Program was still ongoing, and that benefit realization was based on a five-year plan.

Background and Scope

In May 2009, the City retained an independent third party service provider to identify areas of potential service improvements and efficiency savings. As a result of the service provider’s four (4) month review, the Senior Management Committee recommended three (3) corporate and six (6) departmental initiatives requiring investments of \$79 million over five (5) years which were to translate into annual operational savings of \$39 million by 2014.

¹ Summary of all investments as stated in the Business Cases.

When reviewing the information related to the ServiceOttawa Program, the audit team looked at various sources:

Efficiency Savings Initiative Business Cases

There were nine (9) Business Cases prepared by the third party provider, one (1) for every initiative set out by the Steering Committee. These Business Cases included topics such as the purpose of the initiative, anticipated service improvements, high level current environment, financial impacts, benefits, and investment required. It is noted that the City has developed a Corporate Business Case Development Guideline to guide the City in developing and documenting business cases; however the Guideline was not in place at the time that the Efficiency Savings Initiative business cases were developed.

Council Reports

The ServiceOttawa Program reported to Council via the Finance and Economic Development Committee², including the Information Technology Sub Committee throughout the duration of the program. The first report to a Council committee with financial information was on November 17, 2009, and this report was addressed to the Finance and Economic Development Committee. During the audit, no evidence was observed that the ServiceOttawa Program provided Council with stand-alone, final reports on the outcome of the ServiceOttawa Program. While it was stated that the ServiceOttawa consolidated financial view was reported in the City's annual capital close-out reporting in June 2016, information related to the ServiceOttawa Program was not readily identified within this report.

SAP

The City Finance team provided the auditors with an extract from SAP that documents the total expenditures captured per each initiative. These extracts were taken within the time period of March to April of 2016.

² The Finance and Economic Development Committee was previously named the Audit, Budget and Finance Committee. For consistency within the audit report, the committee is referred to as the Finance and Economic Development Committee throughout.

Project Closeout Reports

In January 2014, the City approved a Project Management Policy with a stated purpose of ensuring that the appropriate systems, processes and controls for managing projects are in place, to support achievement of project and program outcomes while limiting the risks associated with projects to stakeholders and taxpayers. The policy requires that project closeout reports are completed for all City projects.

Project closeout reports were prepared for the ServiceOttawa Program. There was one project closeout report per initiative, for a total of nine (9). However, for Enhancing Citizen Centric Services, each sub-project had a closeout report (for a total of 37 projects), and there was no consolidated financial view at the initiative level within project closeout reports. The 2016 Capital Close-out report of June 22, 2016 submitted to Finance and Economic Development Committee (FEDCO) did contain one line item for ServiceOttawa-Corporate Initiatives total spending authority against net spending and the total financing to return to source.

The project closeout reports included information on project objectives and deliverables, as well as project performance information including benefits achieved (service enhancements). Project closeout reports went through a formal approval process, including approval by the ServiceOttawa Steering Committee.

The following table identifies the financial information that was extracted from the sources identified above:

Table 1 – ServiceOttawa Program Investment and Benefits Summary

| Source | Investment (\$M) | Benefit (\$M) | Number of Service Enhancements |
|---------------------------------|------------------|---------------|--------------------------------|
| Business Cases (Planned) | \$79 | \$39 | 64 |
| Reported to Council | \$79 | \$40 | N/A ³ |
| Project Closeout Reports | \$63 | \$26 | 257 ⁴ |
| SAP (Actual) | \$73 | N/A | N/A |

As demonstrated, there were discrepancies between the total investment and benefits achieved, both quantitative and qualitative between the sources of information reviewed. It was also noted that at the time of the audit, ongoing projects remain within the Enhancing Citizen Centric Services and Mobile Workforce Solutions initiatives. The total outstanding cost to complete these projects was estimated at \$2,453,520 (including a contingency of \$237,250) and was presented to and approved by the ServiceOttawa Steering Committee on April 15, 2015.

During the audit, the audit team attempted to determine the cause of the variances identified. It was identified that:

- The difference in ServiceOttawa project costs reported in project closeout reports compared to planned costs were primarily the result of lowered prices for mobile technologies at the time of implementation when compared to the time of planning;
- It was stated that discrepancies in investment between project closeout reports and SAP are likely due to timing differences, as project closeout reports were

³ The Council Committee reports did not provide comprehensive detail on service enhancements achieved, however they did highlight service enhancements throughout the reports, at various times of the ServiceOttawa Program.

⁴ For more detail on Service Enhancements, please refer to the detailed report, line of enquiry #3.

completed prior to all program investment having occurred, invoices having been paid, and all projects financially closed out; and

- The difference in financial benefits (e.g., cost savings) reported in project closeout reports compared to planned Business Cases and reports to Council was due to the lack of financial information in the consolidated project closeout report for the Enhancing Citizen Centric Services initiative.

The existence of such discrepancies are significant, as information on ServiceOttawa Program investments and benefits should be reported consistently throughout documentation so that stakeholders and taxpayers can clearly understand the ServiceOttawa Program outcomes and costs in order to assess whether value for money was achieved.

Summary of Observations

The audit team identified four (4) positive findings throughout the review, listed below:

The ServiceOttawa Steering Committee performed a challenge function on proposed initiatives.

On July 15, 2009, the Steering Committee was presented with the Opportunity Assessment, which identified fifteen (15) opportunities for development of the cost savings proposals. From these, during September 2009 the Senior Management Committee was presented with eleven (11) initiatives with an overall net benefit⁵ of \$38.65M⁶ for the five year period from 2010 to 2014, with annual benefits⁷ of \$36.6M to be realized by the final year of the ServiceOttawa Program, 2014. The Steering Committee challenged the ability of the Corporate Efficiency Savings Program to achieve these identified benefits.

⁵ The net benefit is the benefit expected to be obtained during the five year period from 2010 to 2014, as calculated by: Total Benefit – Total Cost = Net Benefit.

⁶ Overall Net Benefit Proposed to Committee for the five year period from 2009 to 2014: \$127,140,000 - \$88,490,000 = \$38,650,000

⁷ Annual benefits are defined as the combination of cost savings and increased revenues to be achieved through the ServiceOttawa Program.

The final ServiceOttawa Program consisted of nine (9) initiatives⁸ with annual benefits of \$39M, which were expected to be achieved in 2014.

The difference between the original and final annual benefits to be achieved by the ServiceOttawa Program as presented to the ServiceOttawa Steering Committee demonstrates a challenge function existed.

For more information on this finding, please refer to the detailed report, line of enquiry #1: Cost Savings.

The ServiceOttawa Program stayed within the \$79M budget.

During the audit, project closeout reports were reviewed to identify reported project costs; these were then compared to costs tracked for projects in the City's financial system, SAP. Through this review, it was found that the actual costs for the ServiceOttawa Program appear to be less than the anticipated project budget, as \$73M in total costs were recognized for the nine (9) projects in the City's financial system, SAP.

For more information on this finding, please refer to the detailed report, line of enquiry #2: Return on Investment.

All projects under the Enhancing Citizen Centric Services initiative aligned with the ServiceOttawa Business Case.

The audit reviewed four (4) projects within the Enhancing Citizen Centric Services Initiative to validate that expected service enhancements related to the projects aligned with the overall ServiceOttawa Business Case for Enhancing Citizen Centric Services.

The audit found that the projects aligned with the anticipated service enhancements that were expected from the Enhancing Citizen Centric Services ServiceOttawa Business Case.

For more information on this finding, please refer to the detailed report, line of enquiry #3: Service Enhancements.

⁸ Optimize SAP and Improve Efficiency of Transit Maintenance initiatives originally proposed were excluded from the final ServiceOttawa Program.

The ServiceOttawa Program introduced new technologies to the City in order to enhance services to citizens.

The audit found that the City implemented new technologies due to the ServiceOttawa Program in order to enhance services to citizens. New technologies that were implemented include:

- LAGAN Enterprise: A data management system to enable the City's 3-1-1 services.
- SAP HR: An enterprise resource management system to streamline internal HR services.
- A sub-domain website for Older Adults.
- Google Search Application, to improve the search functionality of the Ottawa.ca website.

For more information on this finding, please refer to the detailed report, line of enquiry #3: Service Enhancements.

The audit team identified areas of improvement which were categorized into the following three (3) overarching themes:

- Unclear definitions and methodology;
- Inconsistent reporting; and
- Lack of performance management planning.

1. Unclear definitions and methodology: The City did not clearly agree on definitions and methodology at the outset of the ServiceOttawa Program, including what constitutes cost savings. This has made it difficult to assess value for money of this audit.

1.1 There was insufficient evidence to link departmental budget reductions to cost savings claimed to have been achieved through the ServiceOttawa Program initiatives.

During the audit, a number of ServiceOttawa Program initiatives were reviewed to verify that cost savings were realized. It was found that while budget reductions were completed, there was a lack of supporting evidence to link budget cuts to the ServiceOttawa Program investment.

The audit team reviewed 43% (\$15M⁹) of the cost savings identified by the ServiceOttawa Program. Only 26% of cost savings reviewed can be clearly linked to the ServiceOttawa Program. However, if budget cuts were considered to be equivalent to cost savings, then the reviewed initiatives could be 100% linked to the ServiceOttawa Program.

For example, the Public Works and Services department recognized \$1M in cost savings as a result of the Innovative Management, Operations and Business Practices project. Through the project closeout report, the ServiceOttawa Program provided a listing of how the department had achieved savings (e.g., through the reduction of professional services budget). While it was verified that the budget was reduced, the departments were unable to provide evidence that investment through the ServiceOttawa Program was the driver to enable the reduction in Professional Services.

For more information, please refer to the detailed report, line of enquiry #1: Cost Savings.

1.2 Lack of clarity regarding cost savings achieved through the reduction of Full Time Equivalent (FTE) employees and associated expenses.

Over the duration of the ServiceOttawa Program, the City identified that 283 FTE reductions were achieved through the ServiceOttawa Program. In order for cost savings to be considered realized, FTE positions eliminated should have been recently occupied, and actual expenses such as salaries and benefits should have been incurred by the City related to these positions. Based on a selection of forty-two (42) eliminated positions from across the City:

- 40% were occupied prior to elimination;
- 24% were not occupied at elimination date but were occupied in the past;
and
- 36% were never occupied.

⁹ \$15M of cost savings, not including increases from revenue focused initiatives.

Reporting on FTE reductions within the context of the ServiceOttawa Program implies that the reductions were linked to/enabled by ServiceOttawa Program investment. However, the elimination of unoccupied positions, including positions that have never been occupied (i.e., staffed) should not be considered as savings of the ServiceOttawa Program. This finding further illustrates the importance of agreeing on clear definitions and methodologies at the onset of a program, including cost savings as discussed in item 1.1 above.

In addition, costs associated with the elimination of FTEs such as severance were not tracked within the ServiceOttawa Program. Since the ServiceOttawa Program was identified as the driver for the FTE elimination, all associated expenses should have also been included in the ServiceOttawa Program costs.

For more information, please refer to the detailed report, line of enquiry #1: Cost Savings.

1.3 Evidence indicating that key City stakeholders outside of the ServiceOttawa Steering Committee were engaged in the due diligence process was not provided.

On July 15, 2009, the Steering Committee was presented with the Opportunity Assessment, which identified fifteen (15) opportunities for development of the cost savings proposals. Further to this, in September 2009, eleven (11) efficiency proposals were presented to the Steering Committee and subsequently with annual benefits of \$36.6M to be realized by 2014. While meeting minutes showed that the Steering Committee challenged the viability of the proposals, and that the approved Business Cases were adjusted from the efficiency proposals presented, the auditors were not provided with evidence of the process to validate and/or adjust efficiency proposals between their presentation to the Steering Committee and the development of the nine (9) Business Cases that became the basis of the ServiceOttawa Program.

Considering the significance of the ServiceOttawa Program investment, it would be expected that the City undertook and retained evidence of a due diligence process to demonstrate how key financials, including key assumptions, were validated and approved.

For more information, please refer to the detailed report, line of enquiry #1: Cost Savings.

1.4 The Business Cases presented to Council did not report on Return on Investment.

In order for the City to ensure that investment opportunities are appropriately evaluated, Return on Investment should be considered by Council for all major initiatives.

While the Business Cases include an estimate of the Payback Period, which is a useful metric for the evaluation of investment opportunities, they do not present an estimated Return on Investment. Return on Investment provides additional information/dimensions about an investment opportunity. For example, the amount of return (savings, increased revenue) relative to the value of the investment, the impact of sustainable returns (annual) over the long-term and a single comparative metric that can be used to evaluate investment opportunities against one another.

Without Return on Investment details, Council does not have full and complete information upon which to make decisions on the allocation of City resources.

- 2. Inconsistent Reporting:** ServiceOttawa Program reporting, through both reporting tools (i.e., project closeout reports) and reports to Council (i.e., reports to Finance and Economic Development Committee) included some inconsistencies, as they did not always align with the records of the City's financial system.

2.1 Information in project closeout reports does not always align to financial system information (SAP), and is not always supported.

The audit reviewed the accuracy of project costs and benefits (i.e., cost savings and revenues) reported in project closeout reports. The audit team conducted a detailed review on three (3) project closeout reports, related to the following ServiceOttawa Program initiatives: Mobile Workforce Solutions, Optimizing the Utilization of Recreational Facilities and Sponsorship and Advertising.

For two (2) out of the three (3) project closeout reports, cost and/or revenues were inconsistent with other sources, including:

- Mobile Workforce Solutions: Costs identified in the project closeout report were understated by \$89K when compared to the SAP financial information.
- Optimizing the Utilization of Recreational Facilities: The project closeout report identified \$100K benefit for booking revenue of upgraded facilities (Sportsplex and Lakeside Gardens). However, our audit identified that for these two (2) facilities, the annual revenues have actually decreased in 2014 when compared to 2010.
- Sponsorship and Advertising: Project costs and revenues reported in the project closeout report reconciled with project costs and revenues in the City's financial system, SAP.

For more information, please refer to the detailed report, line of enquiry #2: Return on Investment.

2.2 Inconsistent information was reported to Council committees.

The ServiceOttawa Program provided regular reports to Council through the Finance and Economic Development Committee (FEDCO) and the Information Technology Subcommittee (ITSC):

- FEDCO: The audit team reviewed reports provided by the ServiceOttawa Program from 2011, 2012 and 2013 which contained financial information. No ServiceOttawa Program reports to FEDCO were identified during 2014 or 2015 in relation to the final program outcomes including the achievement of stated benefits and efficiency savings in order to align the initial investment approved by Council with the realized outcomes.

In reports provided by the ServiceOttawa Program to FEDCO during 2012 and 2013, the ServiceOttawa Program reported on benefits achieved to date for each initiative. The audit team identified that for one initiative (Sponsorship & Advertising), the reporting of achieved benefits aligned with the projected benefits in the approved Business Case, not what was realized as per the project closeout report and the City's financial system.

- For example: In the 2012 report to FEDCO, the benefits of the Sponsorship & Advertising initiative was reported as being \$1.39M versus \$773K per project closeout reports and SAP reports.

For more information, please refer to the detailed report, line of enquiry #1: Cost Savings.

3. Lack of performance management planning: At the onset of the ServiceOttawa Program, the Business Cases identified a number of anticipated service enhancements that would be achieved once the initiatives were implemented. Service enhancements were categorized into three (3) types:

- **Improved Customer Service:** Service enhancements that are directly linked to increased customer satisfaction, for example, increased quality in phone interactions with citizens that call the 3-1-1 service.
- **Better Access to Information:** Service enhancements that are directly linked to citizens' increased ability to access information, for example, the upgrades made to the Ottawa.ca website.
- **Operational Improvements:** Service enhancements that are directly linked to improvements in the City's operations, for example, the reduction in recruiting cycle time due to manager self-services functionality (MSS).

3.1 The Business Cases created for the ServiceOttawa Program lacked baseline information to determine if service enhancements were achieved.

The audit reviewed whether the projects examined required a baseline measure to assess whether a service enhancement was achieved. Baseline information represents the normal operating level prior to any enhancements made. If the baseline information exists, key stakeholders can compare post project enhancements to baseline information, indicating whether or not an enhancement occurred.

For example, if investment is intended to simplify online registration for all City courses/activities relevant to older adults, and the expected outcome is a migration of 10% of registration levels to online services, baseline information on the number of registrants and registration platforms is required to evaluate the impact of the investment. In the absence of this information, the City is unable to conclude on whether the service enhancement was achieved.

The audit found that fifty (50) out of fifty-six (56) enhancements reviewed required a baseline measure. Of the fifty (50) enhancements, thirty (30) did not contain a baseline measure and therefore the audit could not conclude on whether the service enhancement was achieved and if value for money was reached.

Of the twenty-six (26) remaining enhancements reviewed, the ServiceOttawa Program was able to provide supporting documentation demonstrating that nineteen (19) (73%) service enhancements were achieved, indicating that value for money on those initiatives was reached. The remaining seven (7) (27%) service enhancements were reported as achieved, however, the audit team found that the service enhancements were not achieved.

For more information, please refer to the detailed report, line of enquiry #3: Service Enhancements.

Conclusion

Overall, the ServiceOttawa Program implemented new technologies, some of which had a measurable, positive impact on the City. While there were many positive achievements through the Program, the auditors also identified opportunities for improvement related to the Program that may be applied to future City programs through which significant investment is committed to achieve value for money. These opportunities include:

- While the City did achieve value through the ServiceOttawa program, the value achieved was less than the anticipated value. It is concluded that less value was achieved than anticipated due to a lack of evidence to link cost savings to Program investment, indicating that some benefits may have been achievable without Program investment (e.g., elimination of FTE positions that were never occupied). Due to the lack of a clear definition surrounding benefits, the audit is unable to conclude on the actual value for money achieved.
- Reporting to Council included inaccurate and inconsistent information. In order for Council to assess the impact of programs as well as to make informed decisions with respect to investments, the information provided to Council must be accurate and consistent, and identify significant changes between reporting periods.

- Project outcomes were not always measured and baseline data was not provided for many of the service enhancements. In the absence of this information, the impact of the Program investment cannot be clearly demonstrated.

Recommendations and Responses

Recommendations were categorized in the same overarching themes identified in the Summary of Observations:

- Unclear definitions and methodology;
- Inconsistent reporting; and
- Lack of performance management planning.

Please refer to the full audit report for additional details.

Recommendation #1: Unclear definitions and methodology

A due diligence process should be defined and followed for all major City initiatives. The due diligence process should include soliciting input from key stakeholders (i.e., impacted departments) to help ensure reasonability of projections, assumptions and implementation plans.

Management response:

Management agrees with this recommendation.

As identified by the Auditor, the ServiceOttawa Steering Committee, comprised of 11 members of the Senior Management Team, performed a challenge function on the proposed ServiceOttawa Program initiatives. The City contracted IBM in 2009 as an industry leader in technological investments. At the outset of the Program, IBM solicited input from key City stakeholders and subject matter experts to develop business cases for the opportunities that had been prioritized by the Steering Committee based on their potential for cost savings and/or revenue generation. A full-day facilitated workshop was conducted on June 26, 2009 with the Senior Management Committee. The results of the session were reviewed by the Steering Committee on July 15, finalized by Senior Management Committee on July 23 and approved by Executive Committee on August 10, 2009.

The Executive Sponsor of the Program, the Deputy City Manager of City Operations, reported the final results of the due diligence process to Council as part of the 2009 Budget process in the November 2009 Corporate Efficiency Savings Program - Information Supplemental to the Budget Estimates report to the Audit, Budget and Finance Committee (ACS2009-COS-ODP-0016).

In January 2014, a new Project Management Policy and Framework was approved by the City's Executive Committee to ensure a common and consistent application of project management principles and practices. The Policy and Framework were developed using best practices and learning from large-scale projects like the ServiceOttawa Program. It includes tools and resources to further support a due diligence process, stakeholder consultation and engagement.

The Business Case Guidelines within the Framework direct staff to seek input during the options development stage, specifically stating that, "options can be generated by working groups (brainstorming exercises) composed of senior managers (business input), stakeholders and clients (user input), and other specialists as required (for example, technical input)." This Policy and Framework is the City's standard operating procedure for Project Management and is used to ensure key stakeholders are appropriately engaged for all future initiatives like the ServiceOttawa Program.

Management considers this recommendation complete.

Recommendation #2: Unclear definitions and methodology

The City, in collaboration with Finance, should define cost savings, as well as provide guidelines for how cost savings should be tracked and documented for cost savings initiatives.

Management response:

Management agrees with this recommendation.

The ServiceOttawa Program involved the implementation of multiple large-scale, transformative, enterprise technology and business solutions. On September 11, 2009, the Executive Committee and Senior Management Committee jointly defined cost savings within the ServiceOttawa Program as base budget reductions.

Cost savings were defined in this way because of the:

- financial complexity of the Program;
- challenges associated in predicting the realization of efficiency savings based on enterprise technology implementation timelines;

- the requirement to ensure that base budget reductions were realized for each year of the Program; and,
- challenges translating productivity improvements into FTE savings.

This approach to benefits realization and timeline was presented to Committee on November 17, 2009.

The ServiceOttawa Program achieved \$40.5M in efficiencies on an ongoing basis in alignment with what was presented to Council as well as over 260 client service improvements.

The Finance department was responsible for tracking the base budget reductions as a key member of the ServiceOttawa Steering Committee. Given the complexity and variation of initiatives at the City, management will continue to work with Finance to determine a best approach and definition for cost savings on a case-by-case basis and will track and document them accordingly.

Management considers this recommendation complete.

Recommendation #3: Inconsistent reporting

The City should establish guidelines and quality control measures to help ensure information presented to oversight committees and Council is consistent and accurately reflects achieved results.

Management response:

Management agrees with this recommendation.

The ServiceOttawa Program's reports to Council represented the most significant reporting to Council compared to any previous information technology investments at the City of Ottawa. This included a total of 25 reports to Council and Committee over the course of the Program, which included:

- reports to Information Technology Sub-Committee (ITSC) on ServiceOttawa Program budget figures through reports supplemental to the budget on an annual basis from 2011 through to 2016 as a part of the City of Ottawa's annual budget process, which included financial updates based on revenues projected to year-end;
- a ServiceOttawa Update presented annually to Finance and Economic Development Committee (FEDCO) as Information Supplemental to the Budget Process;

- 14 service enhancement updates (reports and presentations) to the ITSC; and,
- financial reconciliation reports through the Disposition of Tax and Rate Supported Operating Surplus/Deficit report presented to FEDCO and Council annually.

A report was not submitted to FEDCO in the last year of the Program as the final year of capital authority had been approved by FEDCO as is the process in the previous year.

The final financial status of the ServiceOttawa Program was reported to FEDCO – in accordance with the annual City capital close-out reporting practices – in the Capital Adjustments and Closing of Projects – City Tax and Rate Supported on June 7, 2016 (ACS2016-CMR-FIN-0019).

The ServiceOttawa Program final report was presented to the Senior Leadership Team on November 24, 2016.

To address the Auditor's finding regarding quality control measures for the presentation of projected revenues on the Sponsorship and Advertising project identified as benefits achieved, moving forward, Finance will make clear in the financial section of reports to Committee and Council that, where revenue is presented before reconciliation, the figures are based on revenues projected to year-end.

Management considers this recommendation complete.

Recommendation #4: Unclear definitions and methodology

The City should develop a policy that defines when Return on Investment be calculated and presented to Council for projects.

Management response:

Management agrees with this recommendation.

For the ServiceOttawa Program, the City contracted IBM in 2009 as an industry leader in technological investments to develop business cases for Council's consideration for a significant investment in technology for enhanced service and cost savings. The IBM business cases included a yearly cost and benefits as well as a full five-year analysis of cumulative costs, cumulative benefits, (components of ROI calculations) net benefits and payback period and anticipated service enhancements, which were presented to Council in November 2009.

In January 2014, a new Project Management Policy and Framework was approved by the City's Executive Committee, which requires a business case for each project. The Business Case Guidelines include the need to address Return on Investment (ROI) through a cost-benefit analysis or net-present value and deliberate timing of project costs to be incurred.

Management considers this recommendation complete.

Recommendation #5: Inconsistent reporting

The City should ensure that information on revenues and expenses for programs through which significant investment is made are accurately reported in project documentation.

Management response:

Management agrees with this recommendation.

The ServiceOttawa Program's consolidated financial view was reported – in accordance with the annual City capital close-out reporting practices – in the Capital Adjustments and Closing of Projects – City Tax and Rate Supported report presented to FEDCO on June 7, 2016 (ACS2016-CMR-FIN-0019). The ServiceOttawa Program final report, including all final financial reconciliation, was presented to the Senior Leadership Team on November 24, 2016.

Given the complexity of the ServiceOttawa Program, the ServiceOttawa Steering Committee directed staff to complete the project close-out activities in late 2014 and early 2015 despite the fact that some projects were in the process of producing their final deliverables. As a result, the financials included in individual project close-out reports represented financials at the time of project close-out, not at the time of financial reconciliation. The Steering Committee agreed that the final reconciliation of the program financials would be brought to the Senior Management Committee once the annual capital close-out report was completed by the Finance department and presented to Council in June 2016. This was done to minimize the costs of maintaining project resources during the financial reconciliation process; however management recognizes that project documentation should be completed only once all project deliverables are completed and should reflect actual financial data.

In January 2014, a new Project Management Policy and Framework was approved by the City's Executive Committee that ensures that information on revenues and expenses for programs and projects where significant investments are made are accurately reported in project documentation.

Management considers this recommendation complete.

Recommendation #6: Lack of performance management planning

The City should consider implementing a Project Performance Measurement process and/or a plan that would include a current state assessment to define baseline information that would be required to support expected results.

Management Response:

Management agrees with this recommendation.

In March 2013, halfway through the Program, Interis, an external auditing firm, was contracted to review the progress of the Program to date and make recommendations for improvement going forward. One of the recommendations provided by Interis was to establish performance metrics to evaluate project performance. Based on those recommendations, performance metrics were established and tracked for projects that had not yet been completed.

By the end of the ServiceOttawa Program, it had achieved \$40.5M in efficiencies on an ongoing basis with over 260 client service improvements, which were validated with staff and/or through technology.

At the beginning of the ServiceOttawa Program, limitations to the City's performance measurement systems restricted management's ability to measure baselines at the outset of the Program. Now with the implementation of over 30 technologies, the City achieved the automation of many back-end systems, which allows departments to better understand their current state and quantify improvements.

In January 2014, a new Project Management Policy and Framework was approved by the City's Executive Committee that includes the requirement for staff to set well-defined objectives. Project baseline information is defined in the Business Case and Project Charter and refined in the Project Management Plan. Project performance measurement is tracked and reported through Status Reports (during the project) and Project Close-Out Reports (at the end of the project).

Management considers this recommendation complete.

Annual Audit Work Plans

Methodology

The methodology used to develop our audit plans includes the following key steps:

- Meetings with members of Council and Senior Managers;
- Audit Universe Risk Assessment;
- Review of budget documentation;
- Review of former audits conducted at the City;
- Review of audit plans from other municipalities;
- Input from Auditor General's staff;
- Meetings with external auditors and review of management letters; and,
- Assessment of programs and services against selection criteria and risk analysis.

Several specific selection criteria were used to identify potential projects and select the audits outlined in the plan, including:

- Program/Service has direct impact on citizens;
- Risk/Impact of service disruption on public safety, convenience, financial exposure;
- Discussions with Council, Senior Management;
- Budget size (including number of staff);
- Last time audited; and,
- Fraud and Waste Hotline reports received.

Appendix A – By-law No. 2013-375 and No. 2015-11

A by-law of the City of Ottawa to establish the position and duties of Auditor General of the City of Ottawa, including statutory powers, and to repeal By-law No. 2009-323.

The Council of the City of Ottawa enacts as follows:

DEFINITIONS

1. In this by-law, “Auditor General” means the Auditor General of the City of Ottawa.

ESTABLISHMENT OF THE POSITION OF AUDITOR GENERAL

2. The position of Auditor General for the City of Ottawa is hereby established for the purposes of Part V.1 of the Municipal Act, 2001, S.O. 2001, c.25, as amended, with the statutory duties and functions as set out in Part V.1 of the Municipal Act, 2001, S.O. 2001, c.25, as amended, and in this by-law.

APPOINTMENT OF AUDITOR GENERAL

3. (1) City Council shall by-by-law appoint a person to the position of Auditor General for a non-renewable term to be determined by Council, and shall specify the terms and conditions of such appointment.

(2) The current Auditor General of the City of Ottawa is appointed as the Auditor General of the City of Ottawa for a fixed term of seven (7) years, which shall commence on December 15, 2013, and shall continue until December 31, 2020, unless terminated earlier by Council.

(3) The appointment of a person to the position of Auditor General may be made, suspended or revoked only by a two-thirds majority vote of all members of City Council.

(4) The Auditor General must be designated in Ontario as a chartered accountant, a certified general accountant, or a certified management accountant.

ACCOUNTABILITY

4. The Auditor General is independent of the City administration.
5. The Auditor General shall report to City Council, or to a Committee of Council as may be directed by City Council.

RESPONSIBILITIES

AUDITS

6. (1) Subject to and in accordance with the provisions of this By-law, the Auditor General shall be responsible for assisting City Council in holding itself and its administrators accountable for the quality of stewardship over public funds and for the achievement of value for money in municipal operations.

(2) Despite subsection (1), the responsibilities of the Auditor General shall not include the matters described in clauses 296(1)(a) and (b) of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended.

(3) The Auditor General shall be responsible for carrying out financial (excluding attest), compliance, and performance audits of:

- (a) all programs, activities and functions of all City departments and agencies, and of the offices of the Mayor and Members of Council;
- (b) local boards of the City as defined in Part V.1 of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended, and as may be further prescribed in Schedule “A” to this by-law;
- (c) municipally-controlled corporations as defined in the *Municipal Act, 2001*, S.O. 2001, c.25, as amended, and as may be further prescribed in Schedule “B” to this by-law;
- (d) grant recipients as defined in Part V.1 of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended; and,
- (e) any other agencies, boards, commissions and corporations as Council may from time to time create or identify.

(4) At the request of Council or a board of directors, the Auditor General may conduct financial (excluding attest), compliance and performance audits of autonomous organizations that have an agreement with the City that contains provisions for an audit by the City.

(5) The audit work plan shall be approved by Council. Approved audits shall be conducted at such time and to the extent that the Auditor General considers appropriate, and the Auditor General shall establish such protocols and procedures that are necessary for the conduct of such audits, consistent with the *City of Ottawa Audit Standards* (modified from the Standards for the Professional Practice of Auditing), as approved by Council on June 13, 2012.

(6) The Auditor General shall not call into question or review the merits of the policies and objectives of Council.

INVESTIGATIONS OF FRAUD, MISAPPROPRIATION AND OTHER SIMILAR IRREGULARITIES

7. The Auditor General shall be responsible for the administration of the Fraud and Waste Hotline relating to any suspected acts of fraud, theft, misappropriation or other similar irregularity in accordance with the Corporate Policy on Fraud and Other Similar Irregularities as approved by City Council, and the Auditor General shall establish such protocols and procedures that are necessary for the conduct of such investigations.

DUTY TO FURNISH INFORMATION

8. In accordance with subsection 223.20(1) of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended, the City, the local boards referred to in Schedule “A”, the municipally-controlled corporations referred to in Schedule “B”, and the grant recipients shall give the Auditor General such information regarding their powers, duties, activities, organization financial transaction and methods of business as the Auditor General believes to be necessary to conduct his or her duties under this by-law.

ACCESS TO INFORMATION

9. In accordance with subsection 223.20(2) of the *Municipal Act, 2001, S.O. 2001, c.25*, as amended, the Auditor General is entitled to have free access to all books, accounts, financial records, electronic data processing records, reports, files and all other papers, things, or property belonging to, or used by the City, a local board referred to in Schedule “A”, a municipally-controlled corporation referred to in Schedule “B”, or a grant-recipient, as the case may be, that the Auditor General believes to be necessary to perform his or her duties under this by-law.

NO WAIVER OF PRIVILEGE

10. A disclosure to the Auditor General under Sections 8 or 9 does not constitute a waiver of solicitor-client privilege, litigation privilege, or settlement privilege.

ANNUAL AUDIT PLAN

11. (1) In each year subsequent to the year of appointment, the Auditor General shall submit an annual audit plan for the next following year to City Council for information by December 31st of each year.
- (2) The Auditor General may, at his or her discretion, prepare a longer term audit plan for submission to City Council.
- (3) No deletions or amendments to the annual audit plan shall be made except by the Auditor General.
- (4) Despite subsection (3), the Auditor General may, if requested by City Council or a board of directors, audit and report on additional matters.

REPORTING

12. (1) No later than December 31st of the next year following the tabling of the audit plan prescribed in subsection 11(1), the Auditor General shall provide to City Council a Notice of Tabling of the Annual Report.

(2) The Auditor General may, as directed by Council or at his or her discretion, report on a more frequent basis to City Council or any Committee thereof.

OFFICE OF THE AUDITOR GENERAL

13. (1) The Auditor General is authorized to establish an Office of the Auditor General including a managerial hierarchy and administrative policies and procedures.

(2) The Auditor General is authorized to appoint, promote, demote, suspend and dismiss, subject to any applicable personnel policies adopted by Council, all employees of the Office of the Auditor General.

(3) The Auditor General is authorized to review the performance of personnel within the Office of the Auditor General subject to any personnel policies applicable to the employees of the City.

(4) The Auditor General is authorized to retain the services of any individual or corporation for the purposes related to the operation of the Office of the Auditor General and to execute all agreements and contracts required for the provision of such services subject to the provisions of the City's Purchasing By-law.

ANNUAL BUDGET

14. (1) The annual budget of the Office of the Auditor General shall be in accordance with the budget strategy for the Term of Council.

(2) Requests by City Council or a board of directors pursuant to subsection 11(4) shall be subject to the provision of appropriate funding.

DUTY OF CONFIDENTIALITY

15. The Auditor General and any person acting under his or her instructions shall be subject to the duty of confidentiality provided in Section 223.22 of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended.

IMMUNITY FROM TESTIMONY

16. **Neither the Auditor General nor any person acting under the instructions of the Auditor General is a competent or compellable witness in a civil proceeding in connection with anything done under Part V.1 of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended, or of this by-law.**

REPEAL

17. **By-law Number 2009-323 of the City of Ottawa entitled “A by-law of the City of Ottawa to establish the position and duties of the Auditor General of the City of Ottawa and to repeal By-law No. 2005-84”, as amended, is repealed.**

ENACTED and PASSED this 11th day of December, 2013.

CITY CLERK

MAYOR

SCHEDULE “A”

Local Boards

City of Ottawa Superannuation Fund
Cumberland Village Heritage Museum Board
Nepean Museum Board
Ottawa Municipal Campsite Authority
Pineview Municipal Golf Club Board of Management
CARP Airport Authority (formerly the West Carleton Airport Authority)
Crime Prevention Ottawa
Property Standards Committee
Bank Street B.I.A.
Barrhaven BIA
Byward Market
B.I.A.Carp Village B.I.A.
Glebe B.I.A.
Heart of Orleans B.I.A.
Manotick B.I.A.
Preston Street B.I.A.
Downtown Rideau Improvement Area B.I.A.
Somerset Chinatown B.I.A.
Somerset Village B.I.A.
Sparks Street Mall Authority / Sparks Street Mall B.I.A.
Vanier B.I.A.
Wellington West B.I.A.
Westboro B.I.A.

SCHEDULE “B”

Municipally-Controlled Corporations

1. **Hydro Ottawa Holding Inc./Société de Portefeuille d’Hydro Ottawa Inc.**
2. **Ottawa Community Housing Corporate/La Société de Logement Communautaire d’Ottawa**

BY-LAW NO. 2013 - 375

-0-

A by-law of the City of Ottawa to establish the position and duties of Auditor General of the City of Ottawa, including statutory powers, and to repeal By-law No. 2009-323.

-0-

Enacted by City Council at its meeting of December 11, 2013.

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LEGAL SERVICES

VB: G04-01-STAT AG

COUNCIL AUTHORITY:

City Council – October 23, 2013 Motion 63/3

BY-LAW NO. 2015-11

A by-law of the City of Ottawa to amend by-law No. 2013-375 of the City of Ottawa to establish the position and duties of the Auditor General of the City of Ottawa, including statutory powers.

The Council of the City of Ottawa enacts as follows:

- Subsection 3(4) of By-law No. 2013-375 entitled “A by-law of the city of Ottawa to establish the position and duties of Auditor General of the City of Ottawa, including statutory powers, and to repeal By-law No. 2009-323” is repealed and the following subsection (4) is substituted in its place:

The Auditor General must be designated in Ontario as a chartered professional accountant (formerly known as chartered accountant, a certified general accountant, or a certified management accountant).

- Subsection 12(1) of said By-law No. 2013-375 is repealed and the following subsection (1) is substituted in its place:

No later than December 31st of the next year following the tabling of the audit plan prescribed in subsection 11(1), the Auditor General shall provide to City Council a Notice of Tabling of the Annual Report, except in an election year when timelines for the Auditor General’s Annual Report will be determined by the Auditor General, in consultation with the Mayor and the Chair of the Audit Committee, and may be tabled after December 31st of the next year following the tabling of the audit plan.

ENACTED AND PASSED this 28th day of January 2015.

CITY CLERK

MAYOR

BY-LAW NO. 2015- 11

-0-

A by-law of the City of Ottawa to amend By-law No. 2130375 of the City of Ottawa to establish the position and duties of the Auditor General of the City of Ottawa, including statutory powers.

-0-

Enacted by City Council at its meeting of January 28, 2015

-0-

LEGAL SERVICES

G04-01 STAT AG

Council Authority:

City Council December 3, 2014

Agenda Item 1&

Delegation of Authority By-law

(2014-435), Schedule “A”, s.63