

## **Auditor General Tables 2019 Annual Report**

**November 24, 2020**

**Ottawa** – Today, Auditor General Ken Hughes tabled his 2019 Annual Report. The Annual Report covers activities relating to the 2019 audit work plan.

“In these reports, we have validated many of the processes at the City,” said Mr. Hughes. “We have also found areas where some of these processes can and should be improved to ensure a more effective and efficient system and ensure value for taxpayers’ money.”

The five reports are:

### **Audit of Lansdowne Accounting/Waterfall**

In October 2012, the City entered into a limited partnership agreement, P3, with the Ottawa Sports Entertainment Group (OSEG) and others related to the redevelopment and operation of components of Lansdowne Park. It is based on a 30-year closed financial system, or Waterfall. The P3 is governed by approximately 30 complex legal agreements. These expire December 31, 2044. The Waterfall consists of 6 levels of distribution that represent the order in which positive cash flows will be distributed. Level 1 must be full before proceeding to Level 2, etc. The City receives revenue at Levels 5 and 6. The Audit assessed if the City’s internal accounting processes are designed and operating effectively. The key findings are:

- The City has a process to monitor the Business Planning activities; developed a Risk Register; Performance Measurement and reporting through a detailed annual report;
- More robust monitoring and validation processes would help risks related to contractual obligations, OSEG’s record keeping and also help understanding of the operations and financial performance of the Partnership;
- The City’s assessment of their equity position is thorough and complete;
- There is an overstatement of OSEG’s Additional Equity Account of \$6.5 M which at 8%/year means \$520,000/year or \$14M over the life of the agreement;
- OSEG’s Return on Minimum Equity for 2012 and 2013 was overstated by a total of \$944,022;
- The City recently completed their first detailed analysis of the Waterfall calculation since operations began in 2014 – by a third-party accounting firm in April 2020;

- That 62% of non-arms length transactions tested – worth \$11M, could not be assessed due to a lack supporting documentation; and
- There are 11 recommendations, and management agree with all of them.

### **Audit of Facility Management (FM)**

The City manages 1,073 facilities with a \$3.4B replacement value. The average age is 40 years. In 2019, the City spent approximately \$154.3M in maintenance and operations and approximately \$40.7M in capital expenditures. As of 2019, there is at least \$487.5M in deferred needs. The main groups responsible for most of the maintenance are Facility Operations Services, Water Services and OC Transpo. The key findings are:

- Due to a lack of standards, guidelines and planning, FM's activities and services are inconsistent;
- The three different groups, working in silos, have negatively impacted the visibility of facility costs, integration of repairs and capital, knowledge of facility condition and evaluating a facility's performance;
- This siloed approach results in inefficiencies, increased costs and increased risk of asset failure and program interruptions;
- The lack of clearly defined roles and responsibilities and lack of communication is causing waste and difficulties in the management of facilities;
- Deferring maintenance is a short-term solution with long-term impacts;
- The total cost of ownership is not managed and could not be provided when asked. This lack of information is negatively impacting many aspects of FM; and
- There are 34 recommendations, and management agree with 33.

### **Audit of By-Law and Regulatory Services – By-Law Enforcement (BLE)**

BLE is responsible for the enforcement and administration of approximately 40 municipal by-laws and 6 Provincial acts. In 2018, BLE responded to 87,056 requests for service. Noise, animal care and control and waste and debris account for 75% of the requests for service. The audit's key findings are:

- BLE's processes and practices are effective;
- The policies, procedures and service standards ensure a reasonably consistent enforcement;
- BLE needs to define performance expectations including performance reports;
- BLE needs to fully utilize technology e.g. GPS, to improve efficiency;
- Staff training is consistent with other municipalities but could be improved in several areas; and
- There are 9 recommendations, and management agree with all of them. Two have been implemented.

### **Audit of Meridian Theatres @ CentrepoinTE (MTAC) and Shenkman Arts Centre**

The City operates two theatre facilities: Meridian Theatres @ CentrepoinTE and Shenkman Arts Centre. The MTAC was inherited from the former City of Nepean at amalgamation in 2001, and the Shenkman facility is a 2007 P3. The key findings are:

- MTAC has experienced significant budget overruns since 2016;
- Operational performance is not monitored at either facility. Neither facility has performance targets;
- Both facilities have difficulty retaining part-time and recruiting staff. There needs to be succession planning for key positions;
- Changes to their strategic and operational activities are required for them to reach their full potential;
- MTAC has not fulfilled all the sponsorship obligations to Meridian Credit Union; and
- There are 14 recommendations, and management agree with all of them. Two have been implemented.

### **Audit of Ottawa Light Rail (OLRT) Stage 1 Contingency Fund**

In December 2012, a \$100M contingency fund was approved by City Council. These funds are to be used to cover cost changes and property settlements. As of May 2020, \$88.6M had been spent. The key findings are:

- The Contingency fund was used for its approved purpose;
- There were adequate processes in place to review, approve and monitor the expenditure of these funds;
- The criteria for changes are broadly defined and could be clarified for the Stage 2 project; and
- There is one recommendation, and management agreed with it, and it has been implemented.

A full copy of the 2019 Annual Report – and the detailed reports, are available on the Auditor General's website at [ottawa.ca](http://ottawa.ca).

For more information:

Ines Santoro  
613-580-9602  
[oag@ottawa.ca](mailto:oag@ottawa.ca)