

REGIONAL MUNICIPALITY OF OTTAWA-CARLETON
MUNICIPALITÉ RÉGIONALE D'OTTAWA-CARLETON

REPORT
RAPPORT

Our File/N/Réf.
Your File/V/Réf.

DATE	23 June 1997
TO/DEST.	Co-ordinator Corporate Services and Economic Development Committee
FROM/EXP.	Regional Internal Auditor
SUBJECT/OBJET	INTERNAL AUDIT DEPARTMENT'S ANNUAL REPORT AND ANNUAL PROJECT PLAN

DEPARTMENTAL RECOMMENDATIONS

That the Corporate Services and Economic Development Committee recommend Council:

- 1. Receive for information Internal Audit Department's Annual Report;**
- 2. Approve Internal Audit Department's 1997-98 Annual Project Plan.**

BACKGROUND

There are two parts to this report:

- I) the Internal Audit Department's Annual Report; and
- II) the Internal Audit Department's Annual Project Plan.

The Department's Annual Report summarizes the work completed by Internal Audit over the past year, and, is presented for information.

The Department's Annual Project Plan for 1997-98 (Annex II), developed with input from Regional Councillors, the Chief Administrative Officer, Management Committee and Audit staff, presents a workplan the Regional Internal Auditor recommends Committee and Council approve.

DISCUSSION

I. ANNUAL REPORT

The direction of the work of the Internal Audit Department this past year was provided by the 1996-97 Annual Project Plan, attached as Annex 1, which was approved by Council in June 1996. Most of Audit's efforts were focused on the major projects - Health Department, Homes-for-the-Aged Department, Property Services and Service Delivery Options.

Major Projects

1) Health Department

The Health Department underwent an incredible amount of change in 1996-97: significant governance changes to the Home Care Program (representing \$60 million of the Department's \$80 million budget) and the Teaching Health Unit; funding reductions brought on by Provincial cutbacks; a change in Departmental leadership with the appointment of Dr. Cushman as Medical Officer of Health last fall. The changes continue with Provincial Ministry of Health mandate revisions.

The Internal Audit team worked closely with the Health management team to help improve the organizational effectiveness of the Department. Our work focused, essentially, on three aspects. Initially, the emphasis was on governance and organizational issues related to long-term care until the Province announced that Home Care services would no longer be part of the Regional Mandate (to be governed and delivered by the Community Care Access Centres, a special purpose Provincial body). Subsequently, Audit facilitated a process to help management identify core programs and service levels, a key part of the Corporate Review. The third, and most substantive, aspect related to strengthening the Department's capacity to deal with current and future challenges and helping the Department become more cost-effective. Recommended changes were aimed at streamlining the management structure, simplifying the division of program management and coordination responsibilities, sharpening program priorities, emphasizing program results, strengthening program planning and evaluation capabilities, improving public communications strategies and tools, and being prepared to justify programs and demonstrate their value. Over the longer term, cost savings or reductions will come from delivering programs more cost-effectively through the wise use of available staff and the redirection, reduction or elimination of programs.

2) Homes-for-the-Aged Department (HFTA)

Our work with HFTA was also related to the need to reduce expenditures in response to the substantial Provincial funding cutbacks...the objective of the Corporate Review.

Audit staff worked closely with HFTA management helping them identify budget reductions for the next three years that either met or exceeded the known funding shortfalls. Changes were significant and every function in the Department has been affected. The review was comprehensive and the impacts on service levels and job losses were thoroughly assessed. The proposed changes resulting from this work represented total reductions in excess of \$4 million or 12.5% of the Department's current budget. The HFTA management team's process and results were commendable.

3) Property Services

We are currently in the final stages of a project on Corporate Property Services and are discussing our draft report with management, after which it will be distributed to the CAO, Committee and Council. This work involved a review of property services across the entire Corporation and focused on the services and organizational effectiveness of the Property Services Division (PSD of Planning and Development Approvals Department). We feel there are opportunities for PSD to both improve service and reduce costs and we are making recommendations in this regard.

4) Service Delivery Options

While Internal Audit normally assesses alternative service delivery options as a part of major projects, the Department, at the request of both Committee and Management, assisted the Environment and Transportation Department (ETD) in addressing three service delivery options.

In the Water Environment Protection Division of ETD, Audit was involved, initially, with an unsolicited proposal received from a contractor to operate the R. O. Pickard Environmental Centre (ROPEC) and, subsequently, as part of the evaluation team in the process related to evaluating proposals to operate ROPEC. This process was postponed by Council until the Fall of 1997. Also related to ROPEC, Audit assisted with the Biosolids Management Request for Proposal/Contract Award process. More substantially, Audit was involved in the Request for Proposal/Contract Award of Winter Road Maintenance activities (Regional roads within the cities of Ottawa and Vanier).

Follow-Up of Previous Projects

The Department monitors improvements after we have completed projects. On many occasions, we are asked for specific advice or assistance with regard to implementing recommended changes. In this sense, we keep abreast of managements' progress in implementing improvements. Follow-up projects refer to more formalized progress reviews. In the 1996-97 Annual Project Plan, three such projects were specified. As the year progressed, it was our opinion that formal follow-up reviews were not required, and that more limited work (e.g., discussions with Management on implementation that had already occurred and our review of status reports) was sufficient.

- ***Fleet Management*** - is improving and progress is expected to continue into next year. Accordingly, we will schedule more follow-up work in this area for next year, perhaps in conjunction with our work with OC Transpo.

- *Environmental Services* - a key emphasis of our recommendations in this project related to reducing administrative resources in areas of (then) Environmental Services Department by 25%. This was accomplished and additional actions have since been taken to further streamline administrative functions.
- *Print Shop* - based on assurances we received from Management with respect to changes made and our general assessment of client satisfaction, we did not carry out, nor do we propose, more extensive follow-up.

Audit Participation in Corporate Projects and Re-engineering

Dealing with the significant funding challenges created by Provincial cutbacks was the Corporation's biggest challenge last year. The CAO responded by initiating the Corporate Review. Every Department in the Corporation committed itself to meeting the challenges. In addition to the part Audit played in the Corporate Review with our projects in Health and Homes-for-the-Aged Departments, the Department also contributed one Auditor (15% of our resources) to the Corporate Review Team. Once the Corporate Review had achieved its goals, this resource was assigned to two re-engineering projects - firstly in the Planning (now, Planning and Development Approvals) Department to assist with this restructuring and subsequently (until September 1997) with Environment and Transportation Department as part of their continuing re-engineering and restructuring changes.

Re-engineering endeavours such as these are crucial to the Corporation achieving its goals of improving service and reducing costs. Accordingly, Audit will continue to assist in these areas. Our work scheduled in Social Services Department for 1997-98 reflects the massive re-engineering taking place in that Department.

Other Activities

Internal Audit carries out other activities during the year which are not anticipated, and therefore, are not included in the Annual Project Plan and do not lend themselves to, or result in, a report to Committee or Council. These activities, typically, do not require a great deal of Audit resources to complete, do not infringe on the completion of the major projects included in the project plan, are issues referred to Audit by Council or Management Committee or are issues identified by Audit staff during the course of their work which the Department feels should be dealt with expeditiously.

Some of these activities during the past year were:

- renegotiation of the Corporation's lease agreement with the food service provider in the Ottawa-Carleton Centre;
- advice to the Regional Clerk relating to the continuing need for Municipal Freedom of Information and Protection of Personal Privacy services and coordination within the Corporation;
- certification of the destruction of cancelled RMOC debentures; and
- assistance, especially in the early stages, in establishing the Corporate Supply function.

In the work we carried out during the year, we did not find instances of non-compliance with significant RMOC policies.

Personal Comments

It is important for our Department to maximize our contribution towards a cost-effective Corporation. In this regard, we must continue to be part of the solution, to take a proactive role in meeting Corporate challenges and objectives and to actively promote and support change and improvement.

We appreciate the support we receive from Council, including input in developing our Annual Project Plan and Councillors' comments and ideas throughout the year on major projects and other issues.

II PROJECT PLAN

Each year, Internal Audit brings forward a project plan which has two parts:

- a project plan for the *current* year for the approval of Committee and Council; and
- a project plan for the *subsequent* year, for information, which is more general and provides a longer term indication of the direction of Internal Audit's work.

This discussion will focus on the current year's project plan (Annex II) which was developed in the context of:

- continuing funding pressures coupled with the desire to hold the line on property taxes. Thus, it is important to stay focused on being as cost-effective as possible;
- a continuing period of rapid and significant change and uncertainty. The impacts of Provincial downloading and expected governance changes are, and will be, huge for the Corporation and community. The Corporation needs to be able to react quickly and manage both the transition and delivery of new responsibilities effectively;
- the Corporation is currently in the midst of unprecedented organizational change and improvement. Departments have merged, refocused and downsized. All administrative functions are being streamlined. These are important, dynamic and complex endeavours which must be completed successfully for the Corporation to realize the required benefits. Staff are understandably anxious, stressed and stretched; and
- supporting major Corporate initiatives and objectives, like the development of performance measures for the 1998 budget - beneficial to both Council and Management.

Our project plan reflects these issues and is ambitious. While it contains more work than we can realistically accomplish in one year, it provides good direction, needed flexibility, and a challenge. Audit will, where possible, and if required, supplement departmental resources by seconding staff from elsewhere in the Corporation or through other temporary measures.

The plan identifies specific projects (e.g., Social Services, OC Transpo, Official Languages) as well as some general directions (e.g., Service Delivery Options; Restructuring/Downloading/ Governance/Re-engineering). With respect to the latter, it is not possible at this stage to identify all the specific services or issues with which we will be involved. They will become clearer during the year as Provincial decisions are made and their impacts known. The CAO has indicated that the entire Corporation must be prepared to act quickly, if required. This project plan provides the flexibility to do so and I have assured the CAO that Audit would respond expeditiously should our assistance or services be so required. As in the past, Audit will notify Councillors at the outset of a major project to keep Councillors apprised of Audit's work and provide opportunity for input.

The plan includes two projects aimed at equipping the Corporation with additional tools to help in managing continuous change and improvement - Corporate Pulse and Self-Assessment. As we progress through this period of significant change, it is important for management to be able to determine how effectively we are implementing improvements and how staff are faring. We need to be able to get information from employees in this regard which is current, relevant and accurate so that Management can respond expeditiously and appropriately. The Corporate Pulse project will examine how best the Corporation can accomplish this.

Self-Assessment is another relatively new management tool which has been developed to reflect and deal with current management characteristics and business environments:

- flatter, delayed structures with managers having more people reporting to them;
- responsibility and accountability pushed as far down as possible in an organization;
- changes occurring quickly and continuously, so organizations must respond with improvements quickly and continuously; and
- employees who do the work often "know best", so it is important that they regularly assess their work and processes and be empowered to identify and make improvements.

Self-Assessment can be particularly effective in assessing and managing risk, evaluating the appropriateness of processes and controls, dealing with efficiency issues and making required improvements. This project will assess the appropriateness and applicability of self-assessment techniques in the Corporation.

Consistent with Council's direction, Audit will issue project reports to Committee and Council for all major projects and for any follow-up work if there is significant deviation from previously recommended improvements. The Regional Internal Auditor will, through an annual report, account to Committee and Council in a year's time on the completion of this project plan - proposing at that time another project plan for the ensuing year.

CONSULTATION

In preparing this project plan, public consultation was not considered appropriate. However, all Councillors were consulted, their input was useful and, to the degree possible, has been reflected in this plan.

FINANCIAL IMPLICATIONS

This project plan will be carried out within the approved budget of the Department.

Approved by
Richard F. Palmer
Regional Internal Auditor

RFP/kh

Attach. (2)

**INTERNAL AUDIT DEPARTMENT
1996-97 ANNUAL PROJECT PLAN**

(Approved by Council, June 26, 1996)

CURRENT YEAR

I. MAJOR PROJECTS

- 1. Health Department (this project is underway)**
 - Assistance with identifying core programs & service levels
 - Opportunities to improve cost-effectiveness
- 2. Homes for the Aged (this project is underway)**
 - Assist with the Department-wide initiatives aimed at reducing costs:
- 3. Property**
 - Opportunities to reduce property management costs:
 - i. 111 Lisgar
 - ii. Environment and Transportation Department Facilities
 - iii. Analyze alternative service delivery options
 - iv. Follow-up of a previous Property Management project
- 4. Service Delivery Options**
 - Analysis of alternative service delivery options for regional services. Three specific services have been identified for analysis at this time (more will be identified later in the year) - Water Environment Protection Division (ROPEC) where Audit will have a significant role in the evaluation phase, property maintenance related to project #3 (above) and the Print Shop as part of a follow-up (below)

II. FOLLOW-UP OF PREVIOUS PROJECTS

- 1. Fleet Management**
- 2. Environmental Services** - Administrative Services and Water Distribution
- 3. Print Shop**

III. AUDIT PARTICIPATION IN CORPORATE PROJECTS

- 1. Corporate Review**
 - Regional Internal Auditor's involvement with Community Services Departments
 - Secondment of one Audit staff to the Corporate Review Team
- 2. Corporate Re-engineering Projects**
 - As Corporate Re-engineering projects get identified and started, Audit will have a role

SUBSEQUENT YEAR

- Analysis of alternative Service Delivery Options
- Water Environment Protection Division - continuation of evaluation phase of private sector involvement
- Corporate Review
- Corporate Re-engineering Projects
- Follow-Ups
 - Purchasing
 - Health Department
 - Homes for the Aged

**INTERNAL AUDIT DEPARTMENT
1997-98 ANNUAL PROJECT PLAN**

CURRENT YEAR

I. MAJOR PROJECTS

1. Social Services Department

Internal controls and risk management in the newly re-engineered Social Services delivery system. This project may have to be done in phases to reflect implementation timeframes.

2. OC Transpo

Provide project management/administrative support for OC Transpo Review, as directed by OC Transpo Commission.

Examine opportunities to rationalize administrative functions between the Region and OC Transpo, as directed by Regional Council.

3. Official Languages Branch

Help ensure capability to deliver against recently expanded mandate.

4. Corporate Pulse

Research and develop techniques for monitoring how the Corporation is managing and adjusting to change - providing an important management tool to enhance continuous improvement. This project may require phasing and testing.

5. Self-Assessment

Research and assess the applicability and appropriateness for the Corporation to use self-assessment techniques and technology - providing an important management tool to enhance continuous improvement. This project may require phasing and testing.

II. FOLLOW-UP OF PREVIOUS PROJECTS

1. Fleet Management

2. Corporate Supply

3. Health Department

III. AUDIT PARTICIPATION IN CORPORATE PROJECTS

1. Alternative Service Delivery

Evaluation aspects of the Water Environment Protection Division's (ROPEC) alternative service delivery process.

2. Performance Measurement

Assist Departments in developing performance measures for the 1998 budget year.

3. Restructuring/Downloading/Governance

As impacts of the Provincial transfer of responsibilities to Municipalities, as well as possible governance changes, become known, assist in the transition and assumption of these new responsibilities.

4. Re-engineering

Assist Departments (ETD, possibly HR and Property) with continuous improvement following merging, restructuring and re-engineering

SUBSEQUENT YEAR

- Assist in the transition and assumption of new responsibilities related to Provincial "Downloading" and governance changes
- Subsequent aspects related to the current year's major projects: Social Services, Corporate Pulse, Self-Assessment
- Security of Facilities
- Follow-Up's of previous projects