

**REPORT OF
THE CITY GENERAL AUDITOR
TO THE CONSEIL MUNICIPAL AND
TO THE CONSEIL D'AGGLOMERATION**

**For the year
ended December 31, 2008
and the quarter
ended March 31, 2009**

Legal deposit—Second Quarter 2009

Bibliothèque nationale du Québec

ISSN: ~~1709-514X~~ 1709-5131

ISBN: 978-2-7647-0818-7

<http://www.ville.montreal.qc.ca/verificateur>

ISBN: 978-2-7647-0820-0

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ACKNOWLEDGMENTS

- *To my wife, for her patience during my seven-year term*
- *To the elected officials, for their confidence in appointing me as General Auditor, for their receptiveness, comments and suggestions throughout my mandate*
- *To my staff (past and recent) for their welcome, their unwavering support and loyalty and their adherence to the values that I set for the Office*
- *To all the City officers whom I met over the years, for their understanding and commitment to our common values, i.e. serving all the residents of the City of Montréal to the best of our ability*
- *To my fellow municipal chief auditors for their spirit of sharing and mutual support*
- *Finally, to the media, for their stimulating and critical eye*

INTRODUCTION

According to the provisions of the *Cities and Towns Act* (the Act), the General Auditor is bound to:

- provide, no later than March 31 of every year, a report to the city council on the audit of the financial statements of the municipality and the statement establishing the aggregate taxation rate;
- transmit to the city council, no later than August 31 of every year, a report presenting the results of the audit for the fiscal year ending on the previous December 31 and indicate any fact or irregularity which the auditor considers expedient to mention.

This will be my last report, since my mandate ends in just a few days.

Other than the usual items, I would like to touch on a certain number of issues that, in my opinion, could influence the ability of the General Auditor to properly inform the elected officials of any “fact and irregularity the auditor considers expedient” to mention, a kind of balance sheet, as it were.

As with the six annual reports that I submitted previously, I would like this balance sheet to be positive. I should point out, however, how difficult it seems to me to efficiently manage an organization as complex, not to say complicated, as the City of Montréal. If the residents sometimes have the impression that the City operates in a bureaucratic manner and is slow to resolve problems, it should be remembered that both the elected officials and the civil servants have to deal with a legislative and regulatory framework that is worthy of the Tower of Babel.

All the elected officials and civil servants that I have had the pleasure of meeting during my seven years in office have the interests of the City and the well-being of its residents at heart. The residents can also take pleasure in the knowledge that their civil servants are competent people. Their competency has never been in question.

As in the past, the report that I am submitting today covers the entire body of my work, namely the financial, management and value-for-money audits, for the period from April 1, 2008 to March 31, 2009, for all the activities of the City of Montréal, including those of the agglomeration.

As always, I have chosen to favour the search for and implementation of sustainable solutions to the underlying causes of the problems identified during the course of our work. This search would not have been possible without the commitment and support of all the staff in my Office. I wish to thank each and every one of them.

Using this approach based on partnership with elected officials and managers, we sought to:

- identify the significant risks or obstacles that may hinder the achievement of the desired results and/or objectives, as well as potential solutions to manage these risks and obstacles;
- evaluate the performance of key activities and programs within the City in terms of effectiveness, efficiency and economical use of resources; and
- seek out and take advantage of opportunities to improve, and/or reduce the cost of services provided to residents.

Accordingly, once again this year, our reports include the action plans proposed by managers in order to remedy the problems encountered, along with their planned completion.

COMMENTS AND SUGGESTIONS OF THE GENERAL AUDITOR

It has been my custom, since my appointment as General Auditor, to include comments and suggestions addressed to the municipal administration in the introduction to my annual report.

In this last report to the councils, I intend to touch on a number of topics, some of which date from as far back as the first year of my mandate. In order to make it easier for the reader, I have chosen to group my comments and suggestions by theme rather than to present them in chronological order.

These themes are:

- Control in the context of generally accepted accounting principles in Canada;
- Presentation of financial information pertaining to City of Montréal funds;
- Ability of the General Auditor to fulfill his duties;
- Audit committees;
- Governance.

CONTROL IN THE CONTEXT OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA

Since 2007, following a decision by the Ministère des Affaires municipales et des Régions du Québec, all municipalities in the province are required to comply with the generally accepted accounting principles (GAAP) for the public sector in Canada. One of the advantages of this decision is that the financial results of Canadian municipalities can be more easily compared in the future. As well, beginning in 2009, the financial statements of municipalities will be presented in the same format as those of higher levels of government (federal and provincial), which should make it easier for residents to understand and evaluate the fiscal performance of their governments.

Nevertheless, in the conversion process, my fellow municipal chief auditors and I noted a major discrepancy between the provisions of the Cities and Towns Act and the GAAP for the public sector in Canada, published by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). This discrepancy relates to the notion of control.

Article 107.7 of the Act states that “the chief auditor shall audit the accounts and affairs

1) of the municipality; and

2) of every legal person in respect of which the municipality or a mandatary of the municipality holds more than 50% of the outstanding shares or voting shares or appoints more than 50% of the members of the board of directors.” (*“controlled organizations”*)

Also, section PS 1300.07 of the PSAB Handbook states that “the government reporting entity should comprise the organizations that are controlled by the government.” Section PS 1300.08 defines the notion of control as “the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization’s activities.”

Finally, section PS 1300.11 states that “it is necessary to determine the substance of the relationship between the government and the organization. The true nature of certain relationships may not be completely reflected by their legal form. All relevant aspects and implications of the relationship should be considered in determining whether or not the government controls the organization.”

The consequence of these differences is that some organizations, whose auditing falls to the chief auditor under the Act, are not included in the accounting entity of the municipality while others, which are not governed by article 107.7, do.

It seems vital to us that the auditor be able to audit all the economic resources that fall under the management of the municipality, regardless of the type of control mechanism that the latter may have chosen to put in place.

At present, some organizations audited by the general auditor are not part of the accounting entity of the City (e.g., Office municipal d’habitation) while others are (e.g., Stationnement de Montréal), but are not obliged to be audited by the General Auditor.

My fellow municipal chief auditors and I have already made representations to the ministry to have the *Cities and Towns Act* amended. It would be advisable for the City to support me on this issue.

Proposed amendment

Amend the provisions of the second paragraph of article 107.7 of the Cities and Towns Act to incorporate the notion of control as described in section PS 1300.11 of the PSAB Handbook of the CICA.

PRESENTATION OF FINANCIAL INFORMATION PERTAINING TO CITY OF MONTRÉAL FUNDS

Accounting by funds has long been one of the cornerstones of municipal accounting in Québec.

However, in accordance with the standards in effect since December 31, 1999, the City presents all its financing activities in one set of financial statements only, without providing separate financial information for any fund or statement. However, audited financial statements are still produced for the Fonds des conduits souterrains, which funds the Commission des services électriques de Montréal.

In 2004, the Fonds réservé à la gestion de l'eau was created following the levying of a special tax for this purpose. The Fonds' balance and the transfers of funds affecting it were presented in the statement of reserve funds in the City's financial statements for the years 2004 and 2005.

In 2006, this Fonds was reclassified under a new heading, "Financial reserves," and statements of the operating and capital assets financial activities linked to water management were presented in the City's financial statements.

Moreover, still in 2006, a similar reserve (commonly called Fonds de la voirie) "intended for investments in the road system" and funded in part by a property tax set up for this purpose, was created. The Fonds' balance and the transfers of funds affecting it were presented in the statement of reserve funds, in the financial statements of the City for the year in question, but no separate statements of financial activities were produced.

The presentation of these funds or reserves, adopted in 2006, was maintained in 2007 and 2008.

The notion of "fund" continues to vary in the 2009 budget documents. The Fonds de l'eau is described as "an accounting fund that groups together all financial information related to water and enables follow-up of funding reserves," and the Fonds de la voirie is described as a "funding reserve." Then there is the Fonds d'investissement that, one reads, "consists of a supplementary allowance to the Programme triennal d'immobilisations allocated to major municipal infrastructure projects...".

The least that can be said is that the term "fonds" is served up in several forms. In my opinion, it would be advisable for the City and the Service des finances to avoid using the same term to describe different realities.

“Funds”	Water mains	Water	Road system	Investments
2009 Forecasts • Operations • Capital assets	\$72.4M \$56.5M	\$357.2M \$350.7M	\$267.5M	\$146.0M
Specific revenues	Yes: Charges, in full	Yes: Taxes, in part	Yes: Taxes, in part	No
Financial results	Yes: Separate audited financial statements	Yes: Tables of financial activities for operations and capital assets presented in the annual financial report	No	No

In addition, in so far as the Fonds de l'eau and Fonds de la voirie correspond to similar realities and that the amounts in question are significant, it would be consistent, for reasons of transparency, to present the results of the funding activities that pertain to both funds separately in the City's financial statements. Doing so would enable contributors and other users of the City's financial statements to assess how activities that require the levying of separate special taxes or charges are managed.

I therefore recommend to the administration to present separate statements of funding activities for all funds financed, in whole or in part, by a charge or special tax.

ABILITY OF THE GENERAL AUDITOR TO FULFILL HIS DUTIES

In light of the work required to audit the consolidated financial statements of the municipality, it is clear that this audit represents an increasing workload for the general auditor. It would be timely, therefore, to review the funding of this position.

According to the funding provisions set out in article 107.5 of the Act, “the budget of the municipality shall include an appropriation to provide for payment of a sum to the chief auditor to cover the expenses relating to the exercise of the chief auditor's duties.”

It has been clearly established that the calculation of this appropriation only takes into account the municipal operating budget, excluding *ipso facto* the consequences of the consolidation on the budget and financial statements of the municipality. The same holds true for the organizations that, under

article 107.7 of the Act, must be audited by the general auditor, even if they do not receive any contribution or subsidy from the municipality.

My fellow municipal chief auditors and I have already made representations to the ministry to have the *Cities and Towns Act* amended. It would be advisable for the City to support me on this matter.

Proposed amendments

Amend article 105 of the Cities and Towns Act to specify that the financial statements of the municipality must be prepared in accordance with the generally accepted accounting principles (GAAP) for the public sector in Canada, published by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

Specify in article 107.5 that the calculation of the appropriation paid to the general auditor be based on the consolidated budget of the municipality.

Moreover, as our performance indicator for use of time shows, auditing financial statements (mainly those of the City) is leaving us with less and less time to carry out value-for-money and management audits.

I would therefore ask the City to take advantage of the next call for tenders for the audit of its financial statements, to ensure that the work is shared out equally between the general auditor and the external auditor.

AUDIT COMMITTEES

In their book, *Integrity in the Spotlight: Audit Committees in a High Risk World*, authors Maureen Sabia and James Goodfellow state that “audit committees are recognized as the cornerstone of a successful and credible financial reporting system.”

They devote chapter 7 of their book to the topic of recruiting “the right people” to sit on the audit committee.

Regarding the chair of the audit committee, they write: “In our experience, the audit committee’s effectiveness depends first and foremost on the effectiveness of its chairman. Without a hard-working, qualified, persistent and committed chairman who is willing and able to devote a substantial amount of

time to his or her duties, it is unlikely that the audit committee will fulfill its responsibilities as well as it should.”

In addition, they remind the reader that rule 52-110 dealing with audit committees, published by the Canadian Securities Administrators, requires “that an audit committee be composed of at least three directors, each of whom must be independent and financially literate.” The regulation defines independence as follows: “A member of an audit committee is independent if the member has no direct or indirect material relationship with the issuer.”

Situation at the City of Montréal

The City has had an audit committee since 2003. It is currently made up of seven members, including three council members, two representatives of the reconstituted municipalities and two independent members who have relevant financial expertise. The committee chair, chosen by its members, is one of the two independent members and has in-depth knowledge of auditing.

I am pleased to conclude that, up to now, the committee has effectively performed its duties.

However, I am surprised that the city council did not take advantage of the coming into force of the *Act to amend various legislative provisions concerning Montréal* (Bill 22) that, in its article 11, amends article 107.17 of the *Cities and Towns Act* to provide for the expansion of the City’s audit committee to include two elected officials from the reconstituted municipalities, to include as well as an opposition representative on this same committee.

Recommendation

I recommend to the city council to appoint at least one opposition member to sit as a member of the audit committee.

The situation at the Société de transport de Montréal

The Société has had an audit committee since 1986. It is currently made up of three elected officials, including the chair of the committee, and two external members who have relevant financial expertise but who are not members of the Société’s board of directors.

In my opinion, the fact that “expert” members of the committee are not members of the Board means that they do not necessarily have all the information needed to fully carry out their role, in spite of their undeniable expertise in the fields of accounting, finance and auditing.

Given that the Société’s board of directors is made up mainly of elected officials, and that the city and agglomeration councils have sufficient depth of experience to allow them to find competent elected officials, it would be advisable for the city council to take into account this competency requirement in choosing the members of the Société’s board of directors.

I recommend to the municipal and agglomeration councils to appoint, to the Société’s board of directors, a sufficient number of elected officials who have relevant financial expertise, in order to enable the Société to fill the seats of its audit committee without having to appoint external members who are not board members.

The situation at the Société d’habitation et de développement de Montréal

Since its creation on January 1, 2007, the Société has had an audit committee made up of independent directors. Its chair has relevant financial expertise.

In this regard, it should be pointed out that it was following the internal investigation by the audit committee of the financial analysis of the Faubourg Contrecoeur project that the audits of KPMG & Samson Bélair/Deloitte & Touche, at the request of the Société, and my audit of all the real-estate property disposals of the Société, at the request of the city council, were begun.

The situation at the Société du parc Jean-Drapeau

In 1996, the Société du parc Jean-Drapeau (formerly known as Société du Parc-des-Îles) signed a management agreement with the City of Montréal, namely providing for the creation of an audit committee. This committee is made up of three members appointed by the board of directors, at least one of whom sits on the board. An accounting expert may be part of the audit committee, but all Société executives are excluded. This agreement also dictates the powers, duties and allocations of the audit committee.

I recommend to the City to amend the management agreement to provide that all members of the audit committee should also be directors of the Société.

The other corporations that are part of the City of Montréal’s accounting entity do not have audit committees.

GOVERNANCE

Borough governance

Last December, I was somewhat perplexed by a call from a resident who had asked his borough about the possibility of receiving a comparison of actual and budgeted results for the borough's 2007 operating expenses. He was told that this information was not available.

Since I believed that the information was available, I suggested that he make an access to information request.

I am surprised, however, that such information is not systematically included or appended to the mayors' reports to the city and borough councils. I had commented on this in my 2006 annual report, but I have to conclude that little progress has been made in the matter.

In 2008, only four boroughs (Mercier–Hochelaga-Maisonneuve, Saint-Laurent, Verdun and Ville-Marie) presented comparative statements of their operating revenues and expenses against the 2007 budget. For its part, Ahuntsic-Cartierville borough only presented a basic breakdown of its operating expenses for 2007, in percentages, and Côte-des-neiges–Notre-Dame-de-Grâce borough presented a slightly more detailed breakdown of its operating expenses for 2007, again in percentages.

Accountability is essential to good governance. I am astounded that so few boroughs bother to inform their residents about their financial performance compared with the previous year's budget (2007, in this case.)

Governance of the central city

Since assuming the role of general auditor in June 2002, I have made it a habit to meet at least once a year with the members of the City's senior management, including all the borough directors.

For my final round of meetings in the summer of 2008, I chose instead to meet with a certain number of elected officials, namely executive committee members or borough mayors.

Several of these individuals commented on governance within the City, so much so that I was compelled to research the matter a little further.

Accordingly, I asked most of the elected officials and City directors to complete a questionnaire (see Appendix 1) and forward their responses to me. This questionnaire dealt with critical issues related to city governance in the areas of strategic planning and the annual financial management cycle.

The table below shows the number of questionnaires that were distributed and the number of responses received:

QUESTIONNAIRE ON MUNICIPAL GOVERNANCE			
Category	Number of questionnaires distributed	Number of responses received	Rate of response
Elected officials	63	17	27%
Directors of corporate services	30	20	67%

In the area of “planning,” a little less than half of elected officials surveyed and 70% of directors surveyed answered “not applicable” to the question “Is there a master plan for the management of the central city?” Yet at least 75% in both groups surveyed were of the opinion that this plan (or an equivalent) establishes strategic directions for central city management.

Moreover, contrary to the directors, the majority of elected officials stated that business risks and mechanisms of risk reduction were not determined in the plan.

Furthermore, 71% of elected officials felt that the master plan (or an equivalent) reflected the needs expressed by the citizens.

In addition, less than half of elected officials were of the opinion that this plan states the resources needed for its achievement. The directors, however, held the opposite view, with the exception of the section dealing with IT resources.

Finally, opinions were divided (both elected officials and directors) as to the dissemination of the master plan (or an equivalent) to citizens.

Regarding the “completion and follow up of operations,” the majority of elected officials were convinced that the operating budgets clearly established a balance with strategic directions, needs and available resources, and allocated resources and operational goals. Conversely, a slight majority of directors held the opposite view.

Moreover, the majority of elected officials and directors were of the opinion that performance indicators made it possible to follow up on completion of plans related to financial matters.

Finally, a high proportion of both elected officials and directors felt that reports dealing with budget follow-up were regularly submitted. A large majority of elected officials felt that the reports dealing with completion of the three-year capital assets plan (PTI or plan triennal d'immobilisations) were also regularly submitted.

In the area of "accountability," the vast majority of elected officials and directors agreed with the following statements:

- Reports are submitted so that decision makers can ensure proper use of public funds and compliance with contractual clauses; and
- Activity reports linking the budget to work completed are submitted (at least once a year) to directors, the Direction générale and elected borough officials or elected officials in charge.

It should be noted, however, that less than one third of elected officials and directors mentioned that these activity reports were submitted to the executive committee and the city council.

It is important that actions continue to be taken to improve the effectiveness of governance and ultimately ensure optimum management of the City's resources.

In concrete terms, one short-term action that could be taken involves a study by governing bodies of budget proposals submitted by the business units. Currently, proposals for the reference year, e.g., 2009, include accountability for the level of completion of activities for the preceding year (2008).

In my opinion, this way of doing things dilutes attention that could be paid to examining budgetary choices and results in elected officials not receiving a timely report on the completion status of the current year's activities.

I therefore recommend that the administration take the necessary measures to separate accountability for achieving the current year's goals from budget forecasts for the coming year, as is already being done by the Service de police and the Service de la sécurité incendie de Montréal.

I would like to thank all the elected officials and directors who took the time to complete the questionnaire that I sent them.

FOLLOW-UP ON THE RECOMMENDATIONS OF THE GENERAL AUDITOR

If there is one indicator that is key to determining whether my partnership approach is effective, it is the percentage of recommendations from the General Auditor that lead to concrete corrective measures.

Accordingly, my policy is to begin following up on my recommendations no later than one year after they appear in my annual report. Generally the follow-up cycle is spread out over a three-year period, except in very specific circumstances in which certain recommendations are subjected to an additional year. Below are the results of follow-ups on recommendations made between 2004 and 2007 (published between 2005 and 2008), after my value-for-money and management audits:

Recommendations	Follow-up in March 2006	Follow-up in March 2007	Follow-up in March 2008	Follow-up in March 2009
Formulated in 2004				
Completed	135	74	72	2
Under way	148	76	2	
Delayed	17	9		
Cancelled	2	1	4	
Not done		5		
Expired			7	
Total	302	165	85	2
Formulated in 2005				
Completed		95	58	21
Under way		86	31	9
Delayed		8	15	
Cancelled		1		4
Not done				9
Expired				3
Other		10		
Total	0	200	104	46
Formulated in 2006				
Completed			140	51
Under way			87	49
Delayed			1	2
Not done			2	
Other			14	
Total	0	0	244	102

Recommendations	Follow-up in March 2006	Follow-up in March 2007	Follow-up in March 2008	Follow-up in March 2009
Formulated in 2007				
Completed				74
Under way				95
Reported				5
Not done				3
Other				5
Total	0	0	0	182
Overall total				332

In terms of the recommendations formulated in 2007 specifically, the files completed or under way represent 93% of cases, compared to the yearly objective of 80% established by the municipal administration.

In terms of the combined recommendations formulated since 2004, the follow-up report of March 2009 shows that 722 files have been completed, including 148 files in the last 12 months. On a cumulative basis, almost 78% of recommendations have been completed, and slightly less than 17% are under way. Overall, these results are excellent.

Summary of the status of recommendations formulated from 2004 to 2007	Total follow-ups	Follow-up in March 2009
Completed	722	148
Under way	153	153
Delayed	7	7
Cancelled	12	4
Not done	19	12
Expired	10	3
Other	5	5
Overall total	928	332

PERFORMANCE INDICATORS FOR THE GENERAL AUDITOR'S OFFICE

During the course of our audits, we often observe the absence of adequate performance indicators to enable strict administrative follow-up and adequate accountability.

For a second consecutive year, I feel it is appropriate to present the indicators that seem most relevant, in order to enable the reader to form an opinion about the performance of the General Auditor's Office.

The indicators being presented are:

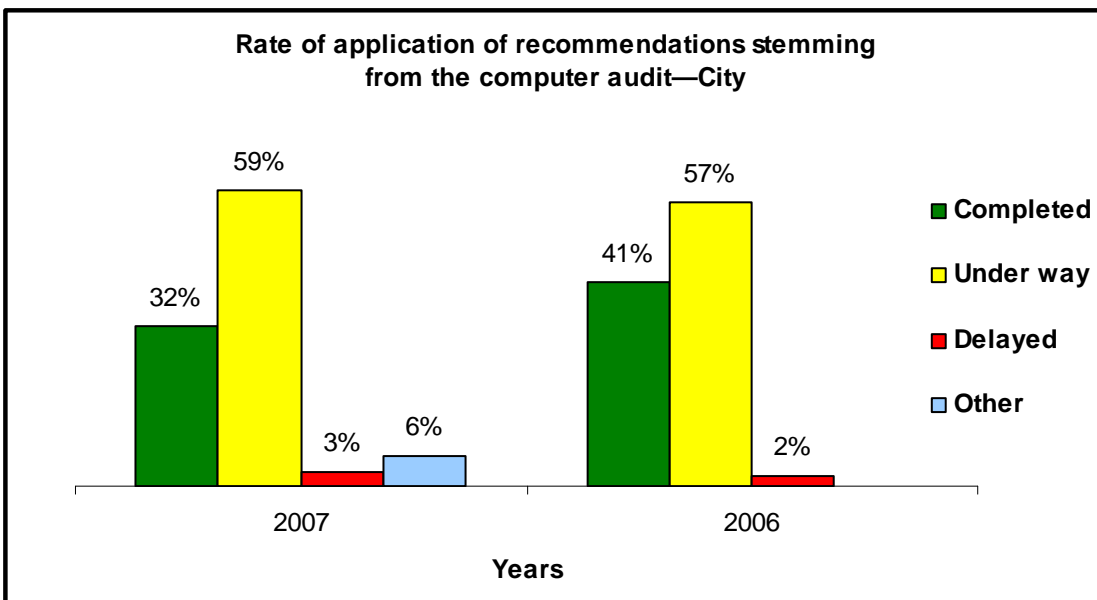
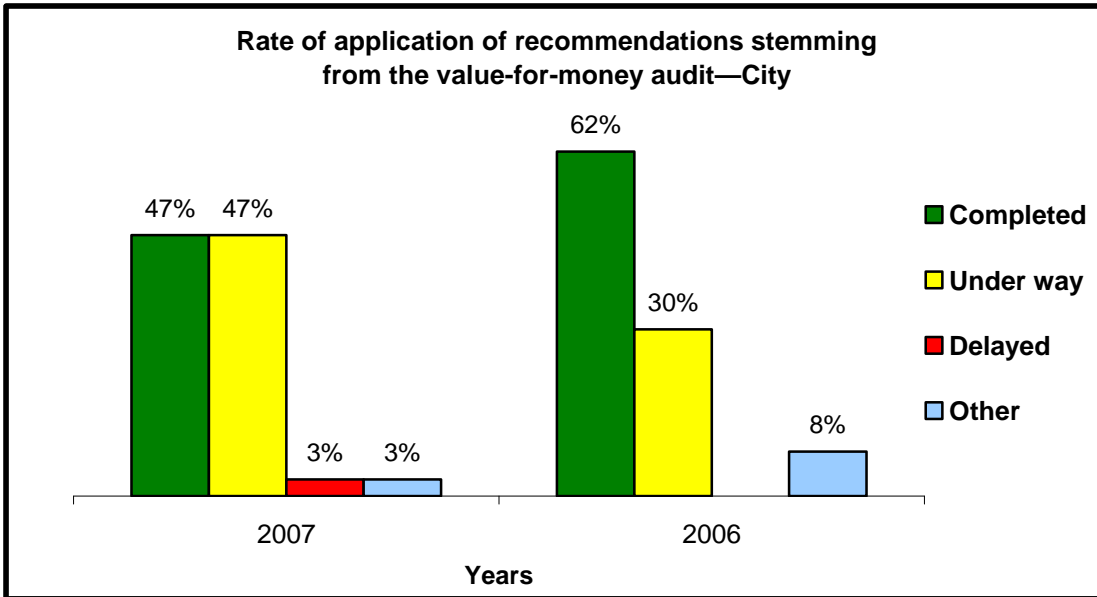
- Number of reports issued;
- Rate of application of recommendations;
- Staff movement;
- Use of time;
- Staff buy-in indicator;
- Equal access to employment; and
- Financial results.

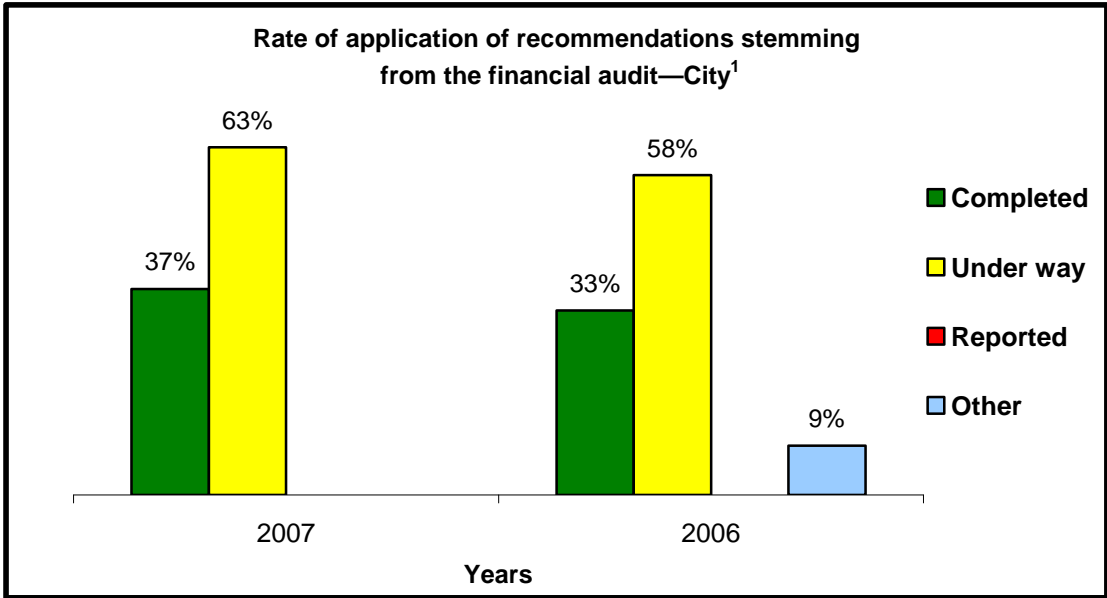
NUMBER OF REPORTS ISSUED

Reference Year	Financial Audit			Value-for-money and management audit
	Total	Current Year	Previous Year	
2002	45	36	9	7
2003	54	39	15	6
2004	43	30	13	10
2005	36	21	15	12
2006	27	11	16	9
2007	15	10	5	10
2008	16	11	5	5

The reduction in the number of reports in the value-for-money and management audit reports can be explained in particular by the major efforts put into the Société d'habitation et de développement de Montréal.

RATE OF APPLICATION OF RECOMMENDATIONS





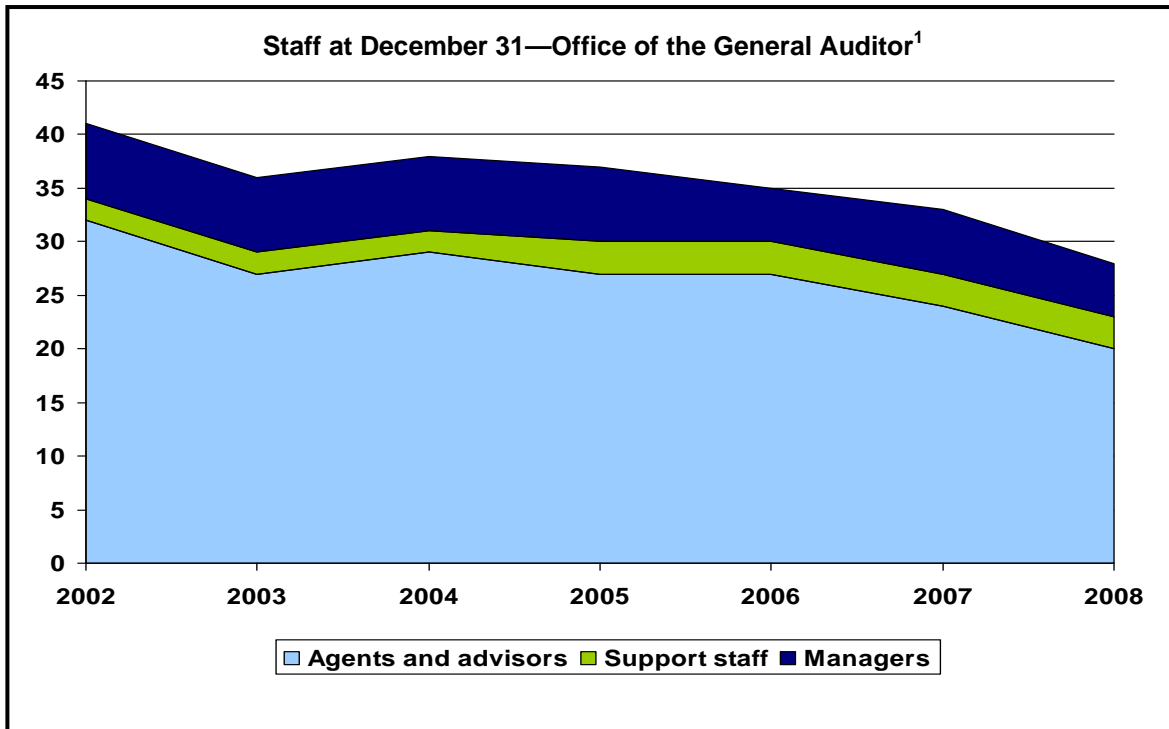
Note 1: The definition of statuses of financial audit recommendations was changed in 2008. Data for the year 2006 that also appeared in last year's annual report were therefore reclassified accordingly.

In my opinion, this indicator is particularly important since it allows the reader to appreciate the fairness and realism of the recommendations made by the General Auditor and his team.

Overall, I feel that it shows a good performance, especially in terms of the value-for-money and computer audits.

Regarding the financial audit, the creation of the agglomeration on January 1, 2006, accounting changes that took effect on January 1, 2007, and the continuation of the deployment of the SIMON integrated management system in 2008 explain the differences with the two other types of audits.

STAFF GROWTH



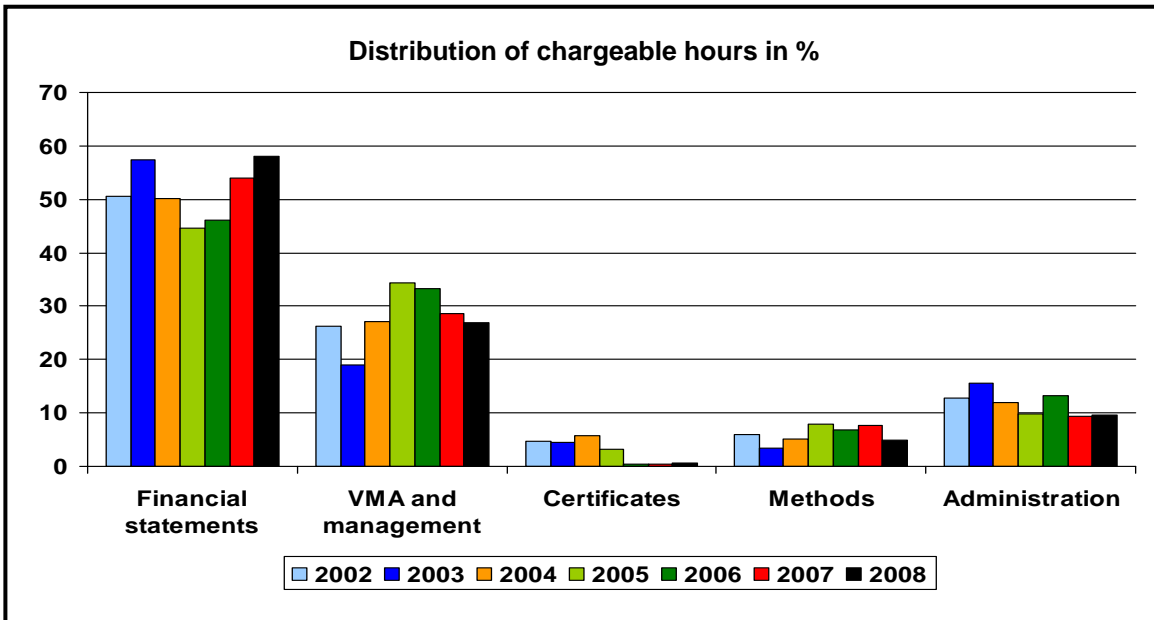
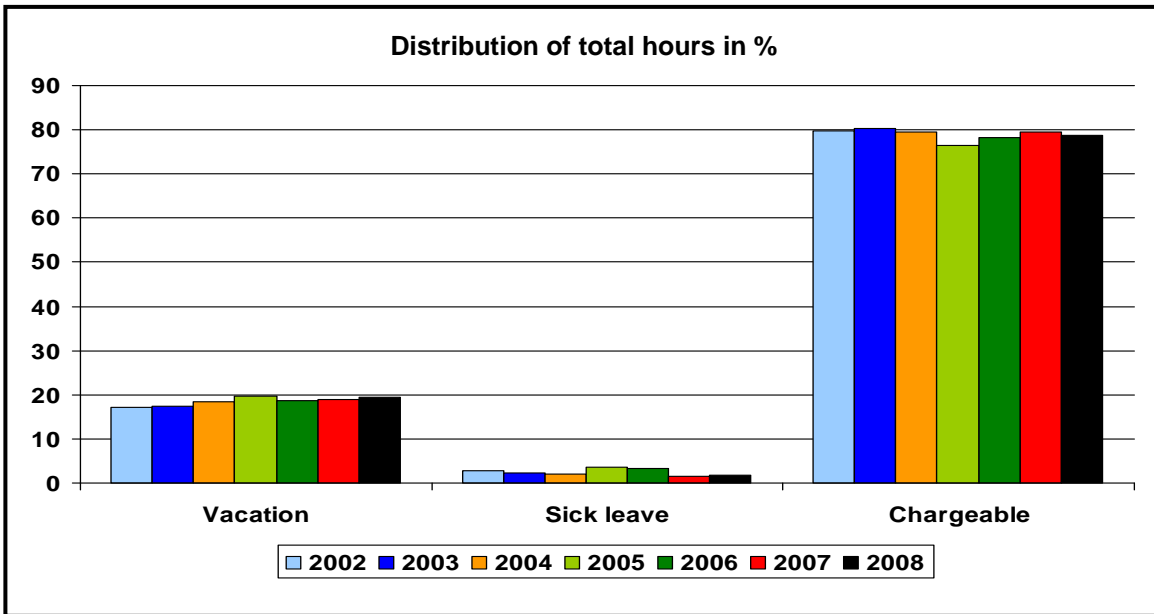
Note 1: Staff figures for 2008 do not include two staff members who were released full-time for union activities.

In looking at the chart, one can see that the number of human resources available to the General Auditor's Office had been steadily eroding. This erosion can be explained, on one hand, by departures due to retirement and, on the other hand, by an inability to fill the positions that thus became vacant.

There is a risk that this decrease in staff will become more acute in the coming years. In fact, we anticipate eight retirement departures between now and December 31, 2011, almost 28% of our total staff.

Thus, our ability to continue conducting audits in the future is a major concern. This issue will be the subject of more in-depth analysis within our 2009–2011 workforce plan, which is currently being formulated.

USE OF TIME



VMA: Value-for-money audit

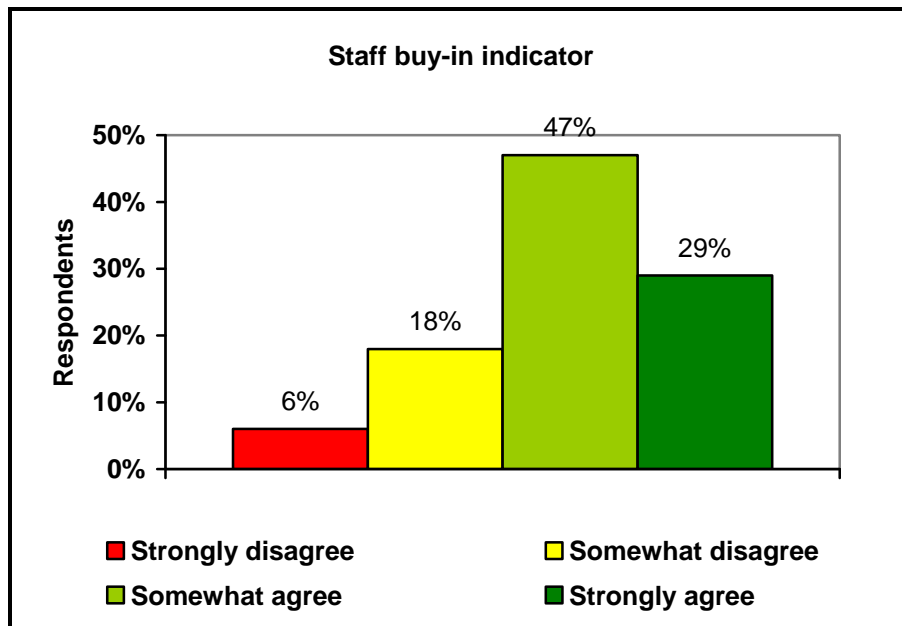
Methods include accounting research, quality control and training

Data related to the use of time shows that it has remained constant for almost all the activities measured, with the exception of the audit of financial statements, which, after gains in 2004 and 2005, increased since 2006 as a result of the creation of the agglomeration and the adoption of new accounting standards.

Our value-for-money and management audits suffered, in spite of our efforts to reduce the time spent on certificates, methods and administration.

The observed 2006 peak in time spent on administration resulted in part from the move of the General Auditor's Office from 333 Saint-Antoine Street East, demolished recently to make room for the future CHUM, to 1550 Metcalfe Street.

Staff Buy-in Indicator



The success of the General Auditor's Office depends largely on its employees and on certain factors that influence their motivation, enthusiasm and commitment. These factors refer to various dimensions of work, such as appropriation, communication, empowerment, accountability, recognition, cohesion, trust and respect, and form the basis for measuring the staff buy-in indicator.

To gauge these dimensions, we repeated a self-assessment workshop in 2008, which measured the level of staff agreement with a certain number of statements. The first workshop was held in 2006.

Overall, the buy-in indicator seems satisfactory. A detailed analysis of the results revealed the following strengths:

- Audit staff have a good understanding of the General Auditor’s mandate, as well as what is expected of them in fulfilling this mandate;
- They have the autonomy needed to carry out their work effectively and feel that they receive credit for their results;
- They appreciate the environment provided by the Office, which allows them to maintain a good balance between professional responsibilities and personal obligations;
- There was noticeable improvement in empowerment since the 2006 assessment, more specifically related to processes and working tools, as well as to the physical work environment; and
- Staff felt that the work of the general auditor added value to the City.

Nonetheless, improvements are needed, especially in the area of career prospects for staff, recognition of their efforts and achievements, and their growth and development. These aspects are directly linked to the problems mentioned earlier in recruiting the staff needed to fulfill the Office’s mission.

Other indicators	Results	
	2008	2007
1. Rate of audit staff turnover	11%	19%
2. Rate of absenteeism (advisors and agents)	1.9%	2.7%
3. Number of training hours	952	1042
4. Average number of training hours per employee	38	34.7
5. Ratio of training costs/payroll expenditures in accordance with Bill 90. The overall goal of the City is 1%.	2.9%	2.3%

Our rate of staff turnover can be explained essentially by departures due to retirement and should be around 10% in 2009.

In other respects, we have continued to invest in updating our skills.

EQUAL ACCESS TO EMPLOYMENT

Like the City of Montréal, the Office of the General Auditor pays special attention to issues of equal access to employment.

On the one hand, at December 31 of the past three years, the breakdown of representation of groups targeted by the *Act respecting equal access to employment in public bodies* was as follows:

	2008	2007	2006
Men	63.3%	60.3%	63.6%
Women	36.7%	39.7%	36.4%

	2008	2007	2006
First Nations	0.0%	0.0%	0.0%
Visible minorities	3.3%	6.1%	6.1%
Ethnic minorities	0.0%	0.0%	0.0%
Total	3.3%	6.1%	6.1%

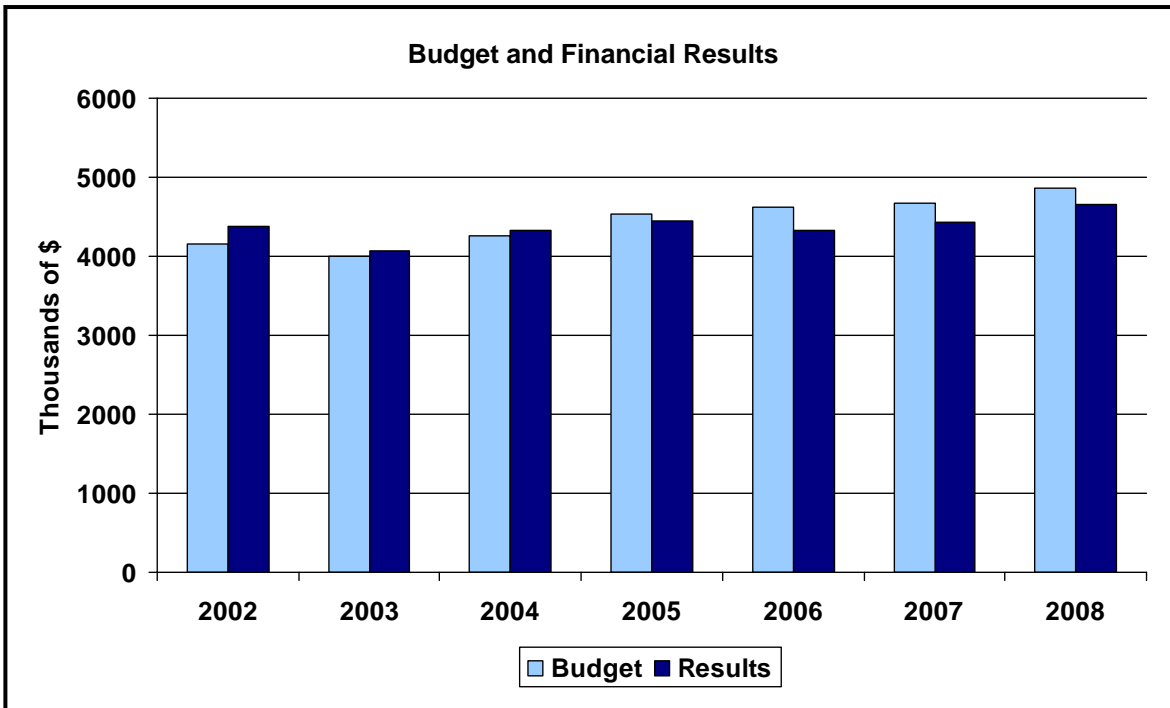
On the other hand, at December 31, 2008, under-representation of targeted groups within the Office was as follows:

	UNDER-REPRESENTATION	
	Number	Percentage
Women	2	6.7%
First Nations	0	0.0%
Visible minorities	1	3.3%
Ethnic minorities	2	6.7%

It should be noted that under-representation of each of the targeted groups cannot be compared with previous years because the calculation method used by the Commission des droits de la personne et des droits de la jeunesse (CDPDJ) is not the same as that used for provisional measurements.

In other respects, the ability of the Office to remedy this under-representation depends on the resolution of the aforementioned problems in recruiting the staff needed to fulfil its mandate.

FINANCIAL RESULTS



The final indicator deals with the financial results of the Office. As the above chart shows, the Office of the General Auditor has been consistently under budget since 2005, mainly due to salaries and employee benefits related to vacant positions.

APPENDIX 1

ANNEXE 1 – QUESTIONNAIRE SUR LA GOUVERNANCE

Planification

	OUI	NON	S/O
Existe-t-il un plan directeur relatif à la gestion de :			
⇒ votre secteur d'activités,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ votre Service,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ votre arrondissement,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ la ville centrale?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Est-ce que ce plan directeur est pluriannuel? Dans l'affirmative,			
⇒ trois (3) ans,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ cinq (5) ans?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Est-ce que ce plan directeur ou d'autres documents équivalents identifient :			
⇒ les orientations stratégiques,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ les risques d'affaires de l'entité,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ les mécanismes d'atténuation (de contrôle) des risques?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Est-ce que ce plan directeur ou d'autres documents équivalents identifient :			
⇒ les besoins exprimés par :			
• les citoyens,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• les clients,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• les élus,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• la ville centrale,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ les ressources suivantes nécessaires à la réalisation du plan :			
• humaines,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• financières,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• informationnelles,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• les investissements et les emprunts,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ les plans d'actions,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ les responsabilités des principaux intervenants,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ les échéances?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ANNEXE 1 – QUESTIONNAIRE SUR LA GOUVERNANCE

	OUI	NON	S/O
Est-ce que le plan directeur ou d'autres documents équivalents ont été diffusés aux :			
⇒ citoyens,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ élus,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ cadres,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ employés?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Réalisation et suivi des opérations

Est-ce que les budgets de fonctionnement de votre entité administrative établissent clairement l'adéquation entre :

⇒ les orientations stratégiques,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ les besoins et les ressources disponibles,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ les ressources allouées et les objectifs opérationnels?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Est-ce que les indicateurs de rendement permettent de suivre la réalisation du ou des plans, concernant :

⇒ les finances,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ les ressources humaines,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ la voirie,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ la neige,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ les loisirs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Est-ce que le P.T.I. fait le lien entre les travaux prévus et le plan de développement et de remise en état des infrastructures?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

Est-ce que l'octroi de contrats fait le lien avec le budget de fonctionnement ou le plan de développement et de remise en état des infrastructures?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

Est-ce que des rapports sont présentés régulièrement concernant :

⇒ le suivi budgétaire,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ la réalisation du P.T.I.?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Est-ce que les dossiers présentés aux différentes instances décisionnelles donnent clairement l'impact des décisions, pour :

⇒ le client,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ la collectivité,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ les employés,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ les partenaires?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ANNEXE 1 – QUESTIONNAIRE SUR LA GOUVERNANCE

	OUI	NON	S/O
Pour appuyer une décision donnée, est-ce que la documentation soumise aux instances décisionnelles souligne les avantages et les désavantages :			
⇒ sociaux,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ financiers,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ économiques,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ organisationnels,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ réglementaires?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Reddition de comptes

Est-ce que des rapports sont présentés afin que les décideurs (instances décisionnelles concernées) puissent s'assurer de la bonne utilisation des deniers publics et du respect des clauses contractuelles :

⇒ bail (locateur),	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ subventions,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ réalisation de travaux,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ fourniture de service,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ réalisation de projets,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ ententes administratives?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Est-ce que des rapports d'activités faisant le lien entre le budget et les réalisations sont présentés (au moins annuellement) aux :

⇒ directeurs,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ élus de l'arrondissement ou élus responsables,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ à la Direction générale,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ au comité exécutif,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
⇒ au conseil municipal?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

NOM : _____

(lettres moulées)

DATE : _____

SIGNATURE : _____

AUDIT RESULTS

FINANCIAL AUDIT

City of Montréal	1
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Completeness of the assessment roll	1
Breakdown of pension expenses	2
Other municipal organizations	4

CITY OF MONTRÉAL

AUDITOR'S REPORTS

My audit report of the City of Montréal's financial statements was submitted to the city council on March 30, 2009, and to the agglomeration council on April 2, 2009. As stated in this report, it is my opinion that the consolidated financial statements present fairly, in all material respects, the financial position of the City of Montréal as at December 31, 2008, as well as the results of its operations and changes in its financial position for the year then ended.

Concurrently, I submitted to the councils my report on the breakdown of mixed expenditures. As stated in this report, the breakdown of mixed expenditures for the City and the agglomeration of Montréal is, in all material respects, presented fairly for the year ended December 31, 2008, in accordance with the criteria and calculation method defined in the by-law adopted by the agglomeration council.

Lastly, on March 30, 2009 I submitted my audit reports of the aggregate taxation rate of the Ville de Montréal and the agglomeration. As stated in these reports, it is my opinion that the rates have been established in accordance with the by-laws adopted under article 262 of the *Act respecting municipal taxation* (Revised Statutes of Québec [R.S.Q.]).

COMPLETENESS OF THE ASSESSMENT ROLL

As part of the audit of the financial statements of the City of Montréal, we analyzed the risk that there were certain units omitted from the property assessment roll, as there is no reconciliation operation or control account in place to check the lots that appear on the roll as units of assessment against the lots representing the entire territory of the City. An unjustified absence of a unit of assessment in the roll would deprive the City of the municipal tax revenues generated by the property evaluation and would unfairly penalize other City taxpayers.

In order to measure the magnitude of this risk, we attempted to ensure that all of the lots located within the territory of the City that should appear on the roll, as specified in all applicable acts, regulations and by-laws, were indeed properly accounted for. The *Act Respecting Municipal Taxation* (R.S.Q., c. F-2.1) is the main piece of legislation governing the assessment roll and its contents in this regard.

Accordingly, we selected a borough (Saint-Laurent) and, using the information for the renovated cadastre as of September 13, 2008, and the roll in force as of that same date, we compared the lots in

the renovated cadastre of this borough with the lot numbers that appear in the assessment roll as of this date.

Our audit showed that, for the borough in question, none of the lots that should appear on the property assessment roll had been omitted. Considering these results, we chose not to extend this analysis to other boroughs.

BREAKDOWN OF PENSION EXPENSES

On February 18, 2009, the Service des finances informed the City auditors, the General Auditor of Montréal and Samson Bélair/Deloitte & Touche (SBDT) of the following:

“[...] in light of the administration's decision to harmonize the City's pension plans as of January 1, 2008, we feel it is necessary to change the method we use to distribute pension expenses.

Until now, the 'current service' item was divided up according to total payroll, whereas the other items were allocated depending on the origin of the pension fund. The amortization of the initial deficit as at January 1, 2007—a deficit that is not included in accounting expenditures—has been distributed based on pension fund origin.

Starting in 2008, we feel the fairest and most accurate method would be to distribute all pension expenses and the amortization of the initial deficit on the basis of total payroll.

This new method, compared to the old method, will mean a transfer of roughly \$30 million in expenses from the local level to the agglomeration.”

After verification, it was established that the transfer in question should not include the amortization of the initial deficit. Accordingly, the modification made by the City, as of January 1, 2008, in the cost allocation method for actuarial deficits for services other than current services, resulted in a transfer of \$18.265 million in operating expenditures of a local nature to operating expenditures at the agglomeration level.

The choice of this date was based, among other things, on the City's decision to harmonize pension plans as of December 31, 2007.

We are satisfied with the explanations provided by the City's management regarding these choices.

However, it would have been preferable that this approach be initiated as part of the budgetary process rather than during the preparation of the financial statements. Because this additional expense was not forecast in the 2008 budget, the agglomeration's 2008 taxation revenues fall short of budgeted estimates.

OTHER MUNICIPAL ORGANIZATIONS

In addition, I completed the audit of the financial statements of numerous organizations controlled by the Ville de Montréal for the fiscal year ended December 31, 2008, notably the Société de transport de Montréal and the Société d'habitation et de développement de Montréal.

Please note that the Société de transport de Montréal, in addition to its general purpose financial statements, was required to submit to the City, for consolidation purposes, and to the Ministère des Affaires municipales et des Régions, financial statements prepared in accordance with generally accepted accounting principles for the public sector in Canada.

A list of all the audited organizations appears in the appendix.

AUDIT RESULTS

VALUE-FOR-MONEY AND MANAGEMENT AUDITS

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SIMON APPLICATION—PROCUREMENT COMPONENT

BACKGROUND

SIMON is the official name of the integrated management system used by the City of Montréal (the City).

An integrated management system is a computer software package that makes it possible to manage all of the processes of an organization by incorporating many of its functions. It comprises a set of interrelated modules, each of which is devoted to a specific function.

The City acquired the software package developed by the firm Oracle and marketed under the name “Oracle Financials.” By installing the SIMON system, the City aims to integrate and update business processes and management tools (information systems) covering functions in the following fields:

- finance;
- physical resources; and
- human resources.

The main transactions conducted using SIMON include:

- Financial management:
 - Budget tracking,
 - Transfers,
 - Journal entries;
- Procurement management:
 - Purchase requisitions,
 - Purchase orders,
 - Receiving,
 - Entry of certain invoices for a business unit using the “payment requisition” function;
- Inventory management;
- Management of basic personnel files; and
- Candidate pool management.

METHODOLOGY AND SCOPE

As the integrated management system had been established as being strategic in the production of the City's financial statements, the goal of our audit was to examine the procurement component of the SIMON application.

In more concrete terms, our audit focused on the purchasing module. However, following our initial analysis, additional work was performed on the accounts payable and payment requisition modules, as well as the supplier file.

We conducted our audit between September and December 2008. Our evaluation criteria were based on the City's policies and guidelines as well as best industry practices.

We did not examine the general computer controls associated with the technological infrastructure of the SIMON application. We also excluded from our audit any controls regarding the physical protection of the installations used by the system.

OBSERVATIONS AND RECOMMENDATIONS

As mentioned earlier, our audit focused on specific modules. In order to provide the reader with a better understanding of these modules, this section will begin with a presentation of the main functions of the SIMON modules that were the focus of our audit.

Purchasing module

As its name indicates, the purchase order (PO) module makes it possible to record the purchase and receipt of merchandise. Various types of documents are used for these purposes, including:

- an internal purchase requisition, used to conduct a procurement transaction through inventories;
- a purchase order, used to make purchases from suppliers; and
- a delivery call, used to order items through a permanent arrangement.

The Direction de l'approvisionnement of the Service des affaires corporatives is the unit responsible for the processes related to this module.

Accounts payable module

The accounts payable (CF) module allows the entry of supplier invoices for payment purposes.

An invoice can be entered with or without a corresponding purchase order. The module also makes it possible to receive interfaces of invoices from external systems and submit them for payment.

The Service des finances is the unit responsible for the processes related to this module.

Payment requisition module

The payment requisition (“CPA Demande de Paiement”) module allows invoices to be entered online, i.e., without a corresponding purchase order, for such transactions as:

- Replenishment of petty cash funds;
- Employee reimbursements; and
- Travel expenditures.

The Service des finances is the unit responsible for the processes related to this module.

Responsibilities

A responsibility is a set of menus and functions that grant access to a module. For all intents and purposes, a responsibility is a collection of access privileges.

A responsibility must restrict access to employees on the basis of their position and the duties they are assigned within the organization.

A clear definition of responsibilities is the key element in the security of the SIMON application.

Employees who produce or approve purchasing documents or payment requisitions must be part of the approval hierarchy and hold a specific position within the organization.

The approval hierarchy is based on employees' positions, and the rules are based on the delegation of powers within the organization.

Approval rules apply to different types of purchasing documents. They define such parameters as the amounts that can be authorized by employees for the acquisition of goods and services as well as professional services and make it possible to establish the corresponding chart of accounts for budgetary control purposes.

Approval rules limit or define the privileges granted to a user with respect to a given responsibility.

We would like to emphasize at this stage that nothing in our audit revealed any abusive or fraudulent practices in the execution of the responsibilities conferred on users.

However, this statement must not be construed as assurance that there is no risk that unauthorized actions have been or could be taken by users.

As this report shows, the allocation of several responsibilities to the same user increases the risk that unauthorized actions may occur. In this respect, we feel that one of the main control elements that reduce this risk is already present in the City's procurement policy.

In fact, one of the goals specified in the policy is to "establish an effective procurement process, **devoid of conflicts of interest and in keeping with the principle of the separation of duties.**"

The application of this principle must therefore be reflected in the manner in which responsibilities are allocated to users. When applied rigorously, the principle of the separation of duties prevents a single user from having control over an entire process, e.g., the process of acquiring goods and services.

Our examination of the responsibilities revealed some situations where, in our opinion, immediate corrective action is required, since they do not comply with the principle of the separation of duties. Our analysis also led us to conclude that, by virtue of the established approval hierarchy, some users have been granted a significant amount of rights.

Purchasing module

We ascertained that two responsibilities (“SIMON Achats et appels d’offres sans réception PO” and “SIMON Achats sans réception PO”) enable the creation of a purchase order, whereas one responsibility (“SIMON Réceptions PO”) allows for the receiving of goods and services as well as professional services ordered. The allocation of responsibilities to various users for the creation of purchase orders and for receiving purposes complies with the principle of the separation of duties since the person who creates the purchase order and the person who receives the corresponding goods or services cannot be one and the same.

As illustrated in the table on the following page, we did, however, ascertain that there are five responsibilities where the same user can both create a purchase order and receive the corresponding goods or services. Moreover, our analysis showed that 779, or 92%, of the 850 users who are authorized to create purchase orders have one of these five responsibilities allocated to them.

These responsibilities allow the same users to create a purchase order and receive the corresponding goods or services and therefore constitute a contradiction in terms of the separation of duties. We are forced to conclude that this practice has become commonplace within the City.

Responsibility	Number of users assigned this responsibility	Authorized to receive corresponding goods or services	Description
SIMON Achats et appels d'offres sans réception PO	19	NO	Access to menus to issue purchase orders, invitations to tender, bids, etc. ¹ .
SIMON Achats sans réception PO	52	NO	Access to menus to issue purchase orders, etc. ¹ .
Subtotal	71		
SIMON Achats PO	577	YES	Access to menus to issue purchase orders, handle receiving, etc. ¹ .
SIMON Achats et appels d'offres PO	181	YES	Access to menus to handle purchase orders, invitations to tender, bids, receiving, etc. ¹ .
SIMON Achats et appels d'offres sans soumission PO	14	YES	Access to menus to handle purchase orders, invitations to tender, receiving, etc. ¹ .
SIMON Achats et retours PO	1	YES	Access to menus to handle purchase orders, receiving, etc. ¹ .
SIMON Achats I09 PO	6	YES	Access to menus to handle purchase orders, receiving, etc. ¹ .
Subtotal	779		
TOTAL	850		

¹ The individuals who are assigned this responsibility can approve a purchase order if the approval hierarchy so allows.

We subsequently examined the approval rules applicable to the 779 users authorized to create a purchase order and receive the corresponding goods or services.

As indicated in the table on the following page, we ascertained that 398, or 51%, of the 779 users have approval rights for amounts ranging between \$500 and \$50,000 in the case of goods and services, whereas 57 users have approval rights for amounts between \$500 and \$25,000 for professional services.

Maximum amount that can be authorized, based on the delegation of powers	Number of users (goods and services)	Number of users (professional services)
\$500	16	4
\$1,000	234	26
\$2,000	7	
\$3,000	47	
\$5,000	13	13
\$10,000	44	9
\$15,000	5	4
\$20,000	15	
\$25,000	11	1
\$40,000	1	
\$50,000	5	
TOTAL	398	57

As a result, the same user could feasibly **create a purchase order, approve it and receive the corresponding goods or services**, thereby increasing the risk that unauthorized actions may occur.

Moreover, allowing users to control the entire acquisition process runs counter to best management practices and the stated goals of the procurement policy.

Recommendation

We recommend that the Direction de l’approvisionnement of the Service des affaires corporatives, in conjunction with the Centre d’expertise et de support for SIMON, review:

- the responsibilities assigned to users in order to ensure they are in keeping with the principle of the separation of duties with regard to the acquisition of goods and services as well as professional services; and
- the approval rights granted to users in order to prevent any one user from controlling the entire acquisition process for goods and services as well as professional services.

Actions proposed by the Service des affaires corporatives

“Under the terms of the City’s procurement policy, each business unit is responsible for ensuring compliance with the principles it espouses, including that of the separation of duties. Furthermore,

employees must all adhere to and be accountable for the execution of these basic principles, in accordance with their hierarchical position. The Direction de l'approvisionnement acts as a guide in this regard and advises units on how to act accordingly.

Based on this premise, the organizational model used by the majority of business units delegates to employees the task of contributing fully or partially to the purchasing process, depending on their operational needs. Consequently, in order to streamline day-to-day operations and ensure units run smoothly, office and distribution clerks are generally allowed to authorize purchases up to \$3,000.

As part of its mandate to advise the business units, the Direction de l'approvisionnement will carry out the following actions:

- Ask managers to review the responsibilities granted to users of the SIMON application in order to ensure the appropriate separation of duties;
- Recommend that business unit managers subsequently put compensatory controls in place in order to minimize the risk of abuse or fraud on the part of users;
- Promote the reports available directly in Oracle or the business office module, in particular for:
 - budget tracking,
 - routine tracking of disbursements by superiors, and
 - monitoring of purchases made by period or by employee. **(Planned completion: June 2009).**

For purchases of greater value, each business unit has opted for an allocation of duties and delegations in line with its particular needs, based on its organizational structure. In this case, management will, on an annual basis, ask managers to review the responsibilities allocated to users of the SIMON application to ensure an effective separation of duties for all purchases over \$3,000.” **(Planned completion: June 2009)**

Actions proposed by the Direction des systèmes d'information

“To support the efforts of the Direction de l'approvisionnement, the Centre d'expertise et de support for SIMON (CES) will produce a list of users who have access to the entire purchasing process, regardless of amount. **(Planned completion: June 2009)**

The CES will subsequently review purchasing responsibilities and deactivate the ‘receiving’ function for all users identified by managers.” (Planned completion: December 2009)

Accounts payable module

Generally speaking, before a payment can be made, the SIMON application checks that the purchases made using a purchase order abide by the “three-way match” rule. This operation involves reconciling the purchase order, receiving details and invoice.

However, as pointed out earlier, it is possible to enter an invoice into the system without matching it to a purchase order. The use of this function must therefore be monitored because it allows the three-way match rule to be circumvented. Our analysis of the responsibilities related to the processing of supplier invoices indicated to us that three users who are authorized to enter invoices are also authorized to issue payment to suppliers.

In this respect, we feel that the allocation of such rights to the same user runs counter to best practices regarding the separation of duties, since it increases the risk that unauthorized actions may be committed.

Recommendation

We recommend that the Service des finances, in conjunction with the Centre d’expertise et de support for SIMON, review the responsibilities assigned to users in order to ensure adherence to the principle of the separation of duties with respect to the processing of supplier invoices.

Actions proposed by the Service des finances

“In conjunction with the CES, the Service des finances has made corrections to computer access/responsibilities for certain employees in line with the principle of the separation of duties with respect to the processing of supplier invoices.” (Completed)

Actions proposed by the Direction des systèmes d'information

“Additionally, the CES is committed to implementing a monthly control procedure in order to validate this recommendation.” (Planned completion: April 2009)

Accounts payable module and supplier file

Our analysis of the responsibilities related to the processing of supplier invoices also revealed that one user with the responsibility for entering invoices also has the responsibility for creating, changing and deleting supplier records in the City's supplier file.

Since payments cannot be issued to suppliers if the latter are not registered in the supplier file, we feel that the allocation of such rights to the same user runs counter to best practices regarding the separation of duties, since it increases the risk that unauthorized actions may be committed.

Recommendation

We recommend that the Direction de l'approvisionnement of the Service des affaires corporatives, in conjunction with the Centre d'expertise et de support for SIMON, review the responsibilities assigned to users in order to ensure adherence to the principle of the separation of duties with respect to the access granted to the City's supplier file.

Actions proposed by the Service des affaires corporatives

“For the cases stated, corrections have been made to the system. Currently, there are no users who have responsibility for both ‘Simon fournisseurs CF’ and ‘Simon saisie et débloccage de factures CF’.” (Completed)

Actions proposed by the Direction des systèmes d'information

“Moreover, to ensure that this situation does not reoccur, the CES agrees to:

- produce a list of users with access to invoice entry and the supplier file; and*
- set up a monthly control procedure to validate this recommendation.” (Planned completion: April 2009)*

EC, CC, AC or BC representatives

As mentioned earlier, the approval hierarchy is based on the employee's position, and the rule is based on the delegation of powers within the organization.

The highest level in the hierarchy, level 15, is assigned to representatives of the executive committee (EC), city council (CC), agglomeration council (AC) and borough council (BC). These individuals, as their title indicates, represent elected officials in the approval of various purchasing documents submitted to them in SIMON in order to carry out the projects for which the credits were authorized, e.g., a project to build a municipal arena.

Given the role played by these representatives within the organization, no responsibility that allows them to authorize the acquisition of goods, services or professional services should be granted to them.

Our analysis revealed that two users have been granted buyer status in the SIMON application, while only one of these two has also been allocated the responsibility for creating purchase requisitions.

Recommendation

We recommend that the Direction de l'approvisionnement of the Service des affaires corporatives, in conjunction with the Centre d'expertise et de support for SIMON, review the rights allocated to the representatives of the executive committee, city council, agglomeration council and borough council, in order to ensure they are not authorized to acquire goods, services or professional services.

Actions proposed by the Service des affaires corporatives

"The identified situation has been corrected. (Completed)

In addition to this initiative, the Direction de l'approvisionnement will carry out the following:

- *Write a brief report on the role and responsibilities of the representatives of these bodies and distribute it to all business units; and*

- *Remind the concerned representatives that each approved purchase order must bear the number of the corresponding resolution/decision for subsequent verification.” (Planned completion: September 2009)*

Actions proposed by the Direction des systèmes d’information

“Furthermore, the CES agrees to produce semi-annually a list of users with the highest level of approval (all rights) and indicate their access, in order to ensure that they are not able to produce purchasing documents and that they are not identified as buyers.” (Planned completion: April 2009)

Receiving

With the exception of online invoices, which are entered using the payment requisition module, all invoices must be sent to the Service des finances for processing. However, invoice entry is not where one of the main control elements can be found: receiving is.

Receiving must be seen as a key control element because this is where the SIMON application considers that users approve an invoice.

During our audit, we discovered the existence of a document entitled *Principes de gestion et règles de contrôle interne de l’approvisionnement*. As the name implies, it outlines the principles and rules governing internal procurement controls. It was issued at the same time the SIMON application was initially rolled out by the Division des pratiques d’affaires of the Direction de l’approvisionnement.

According to one of the statements contained in this document, “goods and services are received by a person **who is able to conduct a quantitative and qualitative analysis for the business unit that is requesting or executing the purchase.**”

Our analysis reveals that more than half of the users with the responsibility for receiving goods and services do not meet the criteria specified in the internal control rules. In fact, we ascertained that 53.4% of the 804 users authorized to receive goods and services in the business units occupy positions that do not allow them to conduct the required quantitative and qualitative evaluations of larger-scale acquisitions or contracts.

In this respect, we feel that the Direction de l'approvisionnement needs to review receiving-related processes to ensure that users are able to conduct a qualitative and quantitative evaluation of any goods, services or professional services received. We also feel that this review must evaluate the relevance of implementing an alternative control mechanism, such as the deployment of processes to grant approval at the invoicing stage rather than the receiving stage.

Recommendations

We recommend that the Direction de l'approvisionnement of the Service des affaires corporatives, in conjunction with the Centre d'expertise et de support for SIMON, review receiving-related processes in order to ensure that users are able to conduct a qualitative and quantitative evaluation of any goods, services or professional services received.

We also recommend that the Direction de l'approvisionnement of the Service des affaires corporatives, in conjunction with the Centre d'expertise et de support for SIMON, analyze the relevance of implementing an alternative control mechanism, such as the deployment of processes to grant approval at the invoicing stage rather than at the receiving stage.

Actions proposed by the Service des affaires corporatives

"In keeping with its advisory and support role, and as the unit responsible for the SIMON procurement function, the Direction de l'approvisionnement will carry out the following actions:

- *Concerning the importance of 'receiving':*
 - *Draft a document that reminds users of the steps to take during the receiving process and during the qualitative and quantitative evaluation of goods and services and how transactions are to be documented in the SIMON application, and*
 - *Submit this document to business unit managers so that they can oversee its implementation; (Planned completion: June 2009)*
- *With respect to the review of business processes, the Direction de l'approvisionnement, in conjunction with the Service des finances and the CES, will:*
 - *benchmark the City's practices against those of other cities and government agencies in order to find potential solutions,*
 - *examine the proposal of granting approval at the invoicing stage rather than at the receiving stage,*

- *consult with Oracle to find out more about other possible alternatives, and*
- *examine possible alternatives when comes time to migrate to the R12 platform.” (Planned completion: December 2009)*

Supplier file

The supplier file contains a list of all the suppliers through which the City makes its purchases. The management of these files is the responsibility of the Direction de l'approvisionnement. Cheques cannot be issued to any recipients whose name does not appear in the supplier file.

This file constitutes one of the key control elements in the SIMON application with respect to the acquisition of and payment for goods and services as well as professional services.

Overview of the creation of the supplier file

The supplier file was created from three source files: the old supplier file from the procurement system of the former City, the supplier file of the former Communauté urbaine de Montréal and the supplier file used by the former City's accounting system.

As the three source files had not been streamlined prior to the creation of the new consolidated file, a team made up of members of the Division des pratiques d'affaires and the SIMON development team was formed in 2006 to, among other things, locate double entries in the supplier file.

We were also informed that during the past year, the division had begun to update the information in the supplier records in the file. For this, the division contacted 4,000 suppliers to update their information.

Double entries

We observed that the procedures adopted to avoid creating more than one entry for each supplier are limited to a simple search of the supplier name. We were also informed that this is the only criterion that was used to detect the presence of double entries during the consolidation operation.

In our opinion, considering the sources that served to create the consolidated file, the use of the supplier name as the sole control criterion is insufficient.

We therefore analyzed the supplier file using the postal code and telephone number as search criteria. We analyzed the 32,679 supplier records that were contained in the file at the time of our audit, excluding inactive suppliers and those identified as “employee,” “interface” or “internal.”

Our analysis revealed the presence of 3,316 different supplier numbers for which the postal code and telephone number appeared more than once. However, our analysis did not extend to the entire bank of suppliers because the postal code or telephone number was missing in 7,206 of the entries.

Recommendation

We recommend that the Direction de l’approvisionnement of the Service des affaires corporatives purge the supplier records that appear more than once in the City’s supplier file.

Actions proposed by the Service des affaires corporatives

- *“In the case of the 3,316 suppliers for which the postal code and telephone number appear more than once, the Direction de l’approvisionnement will analyze the entries and make the necessary corrections.*
- *With regard to the 7,206 supplier records for which the telephone number or postal code was missing, we have already deactivated 5,248 of these records. We are deactivating supplier records for which no purchase order or payment requisition has been entered in the past 18 months.*

We will continue to enter missing data (telephone number, postal code, e-mail address and procurement source) as part of our routine operations, as our resources allow.

- *It is important to remember that, given the current configuration of the system’s search tool, it is not possible to execute searches by telephone number or postal code. However, the business office module makes it possible to detect and deactivate double entries after the fact. This exercise will therefore be performed as part of our regular activities, as our resources allow.*

- *When the Oracle iSupplier module is incorporated into the system, careful attention will be paid to the capacity of the module to automatically validate supplier data. It would also be wise to evaluate the module’s ability to conduct searches by telephone number, postal code and fax number.” (Planned completion: December 2009)*

Access rights

We subsequently examined the number of users with the responsibility for creating, changing or deleting supplier records in the City’s supplier file. As shown in the table below, we ascertained that 25 users have been granted this responsibility.

Unit to which the users holding this responsibility belong	Number of users
Service des finances	2
Centre d’expertise et de support	3
SIMON Finances Approvisionnement—Main-d’œuvre capitalisable	4
Approvisionnement—Gestion des inventaires municipaux	1
Approvisionnement—Division des pratiques d’affaires	15
TOTAL	25

A responsibility must be granted on the basis of the rights required for users to effectively fulfill their duties. In this respect, we feel that the above number of users is high and increases the risk that unauthorized actions may occur.

Recommendation

We recommend that the Direction de l’approvisionnement of the Service des affaires corporatives, in conjunction with the Centre d’expertise et de support for SIMON, review the access granted to the City’s supplier file on the basis of the rights required for users to effectively fulfill their duties.

Actions proposed by the Service des affaires corporatives

“There are a few users (six) in the Service des finances who have access to the supplier file. Discussions are currently under way to provide them with the data entry service in order to concentrate all record creation activity within the Division des pratiques d’affaires. Consequently, the number of people with active access to the ‘Simon fournisseurs CF’ responsibility will be reduced to only those individuals working at the Division des pratiques d’affaires (12 users).”
(Planned completion: April 2009)

Actions proposed by the Direction des systèmes d’information

“Furthermore, the CES agrees to grant the CES project leads temporary access to the supplier file as part of their support activities. As a result:

- Permanent access to the file will be withdrawn (three project leads);*
- Temporary access will be recorded in a directory so that the application and underlying reasons can be checked;*
- A memorandum explaining the procedure will be distributed to CES staff.”* **(Planned completion: March 2009)**

Online creation of a supplier record

A company or an individual interested in doing business with the City must first be entered into the supplier file. As of November 6, 2008, a procedure has been in place to require all new applications to be completed online using a form accessible via the City’s Web site. Once completed, applications are sent to the Division des pratiques d’affaires so that one of the designated users can register the supplier in the supplier file.

However, only suppliers that belong to group 1 are required to register online through the City’s Web site. This includes many key suppliers with which the City does business in order to acquire or lease goods or services or to execute work in support of municipal operations and management.

All other suppliers are included in group 2. These are the suppliers with which the City does not have a business relationship. It includes, for example, employees to whom expenses are being reimbursed or residents to whom the City issues a cheque as the result of a court decision.

The suppliers in group 2 must be entered into the supplier file using the old procedure. This requires a City employee to complete the required form and send it to the authorized user in the corresponding department or borough. The user must then validate the information and submit it to the service centre using the online service application. A representative of the service centre then forwards it to the Division des pratiques d'affaires.

With respect to the new procedure, we were interested in determining and assessing the controls in place. To do so, we completed an online registration form to request the registration of a fictional supplier working in the information technology field.

As we were testing the application, we noticed that potential suppliers are asked to provide three references in their application. Note that all the information we provided, with the exception of the e-mail address, was entirely fabricated. It would have therefore been very easy to reject the application with a minimum of verification.

Nevertheless, a few days afterward, we received an e-mail confirming that our application had been accepted and notifying us of the supplier number allocated to us.

Based on this outcome, we concluded that none of the information provided, including the references, is checked. Furthermore, subsequent analysis of the control procedures issued by the Division des pratiques d'affaires revealed that no other procedures were in place to deal with validation controls specific to the processing of applications submitted via the City's Web site.

However, we did find two procedures issued by the division, one dealing with the standardization of supplier names and another with the entry of Québec Enterprise Numbers (NEQ). According to the first procedure, when a supplier record is created, the name must be checked against the Québec Enterprise Register. The second procedure requires the NEQ to be included in the supplier record¹. Our test, however, showed that suppliers are not required to provide the NEQ upon registration.

Given the results of our analysis, we feel that the division needs to tighten its validation controls for registration applications submitted by new suppliers. It must therefore establish a validation procedure including reference checks and ensure compliance with the current procedure on the

¹ Generally speaking, all companies that operate in Québec must be registered in the provincial Enterprise Register. Once they have been registered, they are issued a NEQ.

standardization of supplier names and the requirement that all new suppliers be in the provincial Enterprise Register. Suppliers should therefore be required to enter their NEQ in the online application upon registration.

Considering that the supplier file is a key control element for the SIMON application with respect to supplier payments, and given our observations on approval rights and responsibilities granted to users in the process of acquiring goods and services as well as professional services, we feel that there is a significant risk that unauthorized actions may occur using the online registration form.

Recommendation

We recommend that the Direction de l'approvisionnement of the Service des affaires corporatives:

- **establish a validation procedure, including reference checks, before creating a supplier record in the City's supplier file;**
- **ensure compliance with its current procedure on the standardization of supplier names by requiring all new suppliers to be registered in the Québec Enterprise Register; and**
- **change its online registration form to require suppliers to provide a Québec Enterprise Number (NEQ).**

Actions proposed by the Service des affaires corporatives

- *“When a new supplier record is entered into the supplier file, especially in the case of online applications, the information provided will be checked. In this regard, the Direction de l'approvisionnement will carry out the following actions:*
 - *Check the provincial Enterprise Register, in the case of businesses that are required to be registered,*
 - *Check the address provided or the telephone number, via the online 411 service,*
 - *Perform any other required checks.*
- *The online registration form already contains a field for the Québec Enterprise Number (NEQ), but it is not a compulsory field. We cannot systematically require all suppliers to register their company and obtain an NEQ in order to do business with the City since they are not all legally*

bound to do so under the Act Respecting the Legal Publicity of Sole Proprietorships, Partnerships and Legal Persons.

Additionally, some boroughs use the services of self-employed workers (e.g., independent truck operators for snow removal) and small businesses that are not registered (e.g., for recreation operations). Since the law does not require these businesses to be registered, we cannot make it compulsory. Even though this applies to only a limited number of applicants, the online registration process must take this into account.

- *Regarding supplier reference checks, this is part of the procurement process, based on the chosen strategy. This practice makes it possible to check a company's references when the goods and services are required. We feel that this is a more efficient approach, given the ongoing changes in the industry, economic backdrop and market conditions.” **(Planned completion: December 2009)***

Analysis of administrative frameworks

The executive committee adopted the procurement policy at its meeting of August 23, 2006. The City's goal with this policy is to “ensure the implementation of an efficient, effective and flexible procurement process that allows its business units to fulfill their mission and offer clients (residents, organizations, businesses, visitors and City business units) top-quality services at a minimal cost.”

As mentioned previously, the Division des pratiques d'affaires issued a document entitled *Principes de gestion et règles de contrôle interne de l'approvisionnement* on November 4, 2005, at the same time as the initial deployment of the SIMON application. As the name of this document indicates, it contains a series of points, 12 to be exact, addressing internal procurement controls. Although still in force, this document has never been formally distributed or revised since its release.

Despite this observation, we examined the points put forward in the document. Besides the point that was already the subject of an observation in the “Receiving” section earlier in this report, three other points caught our attention.

Point No. 3

This point stipulates that “in procurement documents, i.e., purchase requisitions, purchase orders, online inventory, **it is vital to ensure the separation of duties.** An individual may be an applicant, issuer, approver and receiver, **but may not be more than one of these for the same document or the same process.**”

According to recognized management practices, a responsibility must be allocated on the basis of the rights required to enable users to effectively fulfill their duties. The allocation of a responsibility must also adhere to the principle of the separation of duties.

In such a context, users cannot be granted a responsibility and at the same time asked not to use them in certain situations, hence the importance of clearly defining tasks and limitations for each user. In this regard, we feel that this point cannot be enforced.

Point No. 5

This point stipulates that “purchases over \$10,000 should be forwarded to a corporate procurement officer. Tendering processes for amounts exceeding \$25,000 should also be processed by the Direction de l’approvisionnement.”

In our opinion, this point cannot be applied because 850 users are authorized to create purchase orders and there are no settings in the SIMON application that require the input of a procurement officer for purchases of more than \$10,000.

The same conclusion can be drawn with respect to the tendering process, since our analysis revealed that 214 users are authorized to launch invitations to tender. Of this number, only 28 users are involved in the acquisition of goods and services for the Direction de l’approvisionnement.

Point No. 9

This point specifies that “using the business office module, the unit responsible for the procurement process, i.e., the Direction de l’approvisionnement, will be able to analyze how purchase requisitions, purchase orders, receiving slips and approvals are used in order to ensure the separation of duties and take action where necessary to address problem situations.”

In discussions we had with the head of the Division des pratiques d'affaires, we were informed that this point is still not in effect.

Given the observations listed in this report, it is our hope that the control measures referred to in this point will be put into place as quickly as possible.

Recommendations

We recommend that the Direction de l'approvisionnement of the Service des affaires corporatives:

- **review the points contained in the internal procurement control rules; and**
- **roll out, as quickly as possible, control measures to ensure the effective separation of duties.**

We also recommend that the Direction de l'approvisionnement of the Service des affaires corporatives formally distribute the internal control rules via a corporate framework.

Actions proposed by the Service des affaires corporatives

"The management principles and internal procurement control rules were developed in November 2005 based on the organizational model advocated at that time. In 2005, the Direction de l'approvisionnement was supposed to restructure its operations to become a Centre de services partagés (CSP), which implied a certain degree of centralization of municipal procurement activities. Ultimately, this avenue was not pursued.

In 2006, in keeping with the division of procurement powers that specifies that the borough council is responsible for concluding the required agreements for the goods needed to fulfill its responsibilities, the mission of the Direction de l'approvisionnement was modified. This mission implies that the Direction de l'approvisionnement occupies a leadership role in terms of procurement, in a spirit of cost-effective cooperation, so that boroughs and central departments can acquire quality goods and services that meet with their full satisfaction, at the best cost and under the best conditions.

Since that time, the Direction de l'approvisionnement has acted in a support capacity, among other things, with respect to the business units. The legal structure of the City of Montréal and the procurement policy indicate that internal controls in this regard are the responsibility of the various business units, in particular for the boroughs.

Consequently, and in keeping with the distribution of procurement powers, the Direction de l'approvisionnement will take the following actions:

- *Review the principles and rules of internal control on the basis of the current legal structure;*
- *Prepare the necessary management frameworks to ensure adherence to the rules by the central departments;*
- *Distribute these management frameworks to the boroughs to promote awareness in this respect; and*
- *Continue to provide procurement-related support to the boroughs and departments.” (Planned completion: October 2009)*

Sharing of responsibilities between the CES and the Division des pratiques d'affaires

At its meeting on July 10, 2006, the executive committee authorized the creation of the Centre d'expertise et de support (CES). The decision summary supporting the resolution mentions that the CES was created to be a “hub for the growth, support and operation of the SIMON application used by several thousand City employees in their day-to-day activities.” In addition, the creation of the CES was followed by the implementation of a multi-level structure.

The first structure is the service centre, which is designed to provide one-stop assistance to SIMON users. Its role is primarily to:

- handle all user queries;
- deal with first-level incidents; and
- forward queries to the appropriate resource.

For incident-related queries (or support-related queries), we obtained the table that the service centre uses to deal with the incidents of which it is informed.

Queries related to the management of incidents regarding the supplier file, delivery locations and the classification of goods and services (CBS) are sent to the Division des pratiques d'affaires by the service centre.

For queries on the management of incidents relating to the purchasing module (those involving purchase requisitions, purchase orders, receiving slips, etc.), the service centre forwards the file to the CES.

However, our audit revealed that the responsibilities granted to CES users and users at the Division des pratiques d'affaires did not correspond to the mandate that was assigned to them.

The CES is primarily composed of experts from units that have responsibility for business processes. We therefore feel that the practice by which they held the responsibilities assigned to users working in operations at the department or borough level should be discontinued.

Similarly, we believe that certain responsibilities held by the Division des pratiques d'affaires contradict the division's mandate.

Finally, following the meeting we had with the heads of the CES and the Division des pratiques d'affaires, we realized that there is an overlap in terms of the support offered to SIMON users. This situation would explain how responsibilities have been allocated, according to our observations.

In light of our comments, the heads of the CES and the Division des pratiques d'affaires indicated that they intended to meet in order to address the situation.

Recommendation

We recommend that the heads of the Direction de l'approvisionnement of the Service des affaires corporatives and the Centre d'expertise et de support for SIMON:

- **take the necessary steps to address the overlap in support services offered to SIMON users in the case of incident queries; and**
- **review the responsibilities allocated to their respective users so that they are assigned only the rights necessary to fulfill their duties.**

Actions proposed by the Service des affaires corporatives and the Direction des systèmes d'information

“After more than two years of operation, the Direction de l’approvisionnement and the CES now agree to take the following actions:

- *Review the document on roles and responsibilities that was developed at the same time as the CES was created;*
- *Review the role of user support;*
- *Review the responsibilities of each person based on the duties to be fulfilled;*
- *Update access rights in order to ensure adherence to recommendations and, similarly, grant temporary access for various transactional responsibilities to CES staff, as part of their support activities; and*
- *Send a memorandum to the staff of the CES and the Direction de l’approvisionnement to explain the review of the various roles.” (Planned completion: December 2009)*

Comments from the General Auditor on the action plan of the Service des affaires corporatives

The fact that the Direction de l’approvisionnement does not have any authority over the measures implemented by the central departments and boroughs to ensure compliance with a principle of internal control as fundamental as that of the separation of duties can only, in my opinion, undermine the effectiveness of the control environment of an integrated software system such as SIMON.

Furthermore, the level of independence granted to the business units, especially the boroughs, is not in line with the goals of the City’s procurement policy, in particular the provisions that refer to the acquisition of goods, services and construction work at the best possible price. It is worth emphasizing here that over a billion dollars of these acquisitions are processed annually in SIMON’s purchasing module.

INVESTMENT FUND

CONTEXT

In order to ensure the completion of Montréal 2025 projects and promote the growth of property values on the territory, in 2006 the City introduced the investment fund. This fund primarily consists of an additional budget allowance of the Three-Year Capital Works Budget (TCWB), dedicated to municipal infrastructure projects that offer the best real-estate profitability potential for the City.

To be selected, projects must demonstrate their real-estate profitability in terms of net surplus tax revenues, and the investment payback period must not exceed 10 years. Furthermore, surplus investments must benefit Montrealers without negatively affecting the City's financial situation.

In 2007, the City of Montréal set up an investment fund to which it will contribute the sum of \$180 million over three years (\$60 million per year) to carry out major projects in the City. The federal and provincial governments as well as other financial partners can also contribute to this fund. In the amended 2007 budget, 13 projects satisfied the selection criteria stipulated for the investment fund.

At the time it was introduced, the Service des finances was responsible for the investment fund's budget, and the Service de la mise en valeur du territoire et du patrimoine (SMVTP) was responsible for co-ordinating project management. Starting in 2008, the budget was transferred and is now the responsibility of the SMVTP. One mission of this department is to improve the quality of life of Montrealers by stimulating wealth creation in Montréal.

METHODOLOGY AND SCOPE

The goal of the audit was to assess whether the projects planned for the City's investment fund were assessed using a reliable and recognized method, that there was adequate follow-up of costs, that timelines were respected and that an appropriate reporting process was implemented.

For the purpose of this audit, we have selected three projects that were registered in the investment fund in 2007, taking into consideration the sums dedicated and amount of progress (Quartier des spectacles, Nuns' Island development project and Montréal Harbourfront).

Our audit focussed primarily on expenses for carrying out these projects throughout 2007 and at the beginning of 2008. This audit was carried out at the Service de la mise en valeur du territoire et du patrimoine, Service des finances, Quartier international de Montréal (QIM), the Verdun borough and Société du Havre de Montréal.

OBSERVATIONS AND RECOMMENDATIONS

Montréal 2025 projects are carried out according to a structured process that generally comprises three phases. The first consists in receiving and assessing the developer's project, the second involves defining the City's participation with a view to optimizing the project and negotiating the division of costs and responsibilities with the developer and the third involves carrying out the project in compliance with agreements.

To monitor these projects, various processes and mechanisms are used, including:

- multiyear budget planning;
- Three-Year Capital Works Budget (TCWB);
- borrowing by-laws;
- preparing the operating budget;
- budget progress reports;
- dashboards (operational schedule, benefits assessment, evaluation of project success, costs and timelines); and
- information management system.

Last, various committees co-ordinate, integrate and follow up on all projects, including:

- the project management work group, comprising unit managers from various central and downtown departments;
- the Comité corporatif de gestion des grands projets (CCGGP) (major projects management corporate committee), comprising City senior executives involved in the projects; and
- the Réaliser les grands projets de Montréal 2025 committee, presided over by a member of the executive committee and comprising five members, joined statutorily by developers or their

representatives, borough mayors, department or borough managers involved in the project and the project manager.

To ensure leadership for each project, a political sponsor, administrative sponsor and a project manager are appointed.

Among the Montréal 2025 initiative projects, those that met the established selection criteria were included in the investment fund.

The SMVTP validates the economic pertinence of real estate profitability projects, prioritizes projects according to set criteria and conducts the financial analysis of projects. Since 2008, it also manages budget allowances of projects registered in the investment fund. Last, it has the mandate to act as a sort of “control tower” of information within the municipal organization in terms of project progress.

Investment projects (profitability studies)

The municipal administration stated three principles that govern the creation of a budget allowance distinct from the TCWB (investment fund):

- The City seeks to allow investments in projects that are expected to generate substantial tax benefits;
- The City seeks to equip itself with a financial tool that will gradually enable it to finance its own investments in major projects, and
- The City intends to provide continuity in major development project investments.

The sustainability of such a fund lies in the ability to carry out projects that offer financial profitability to the City in terms of net surplus tax revenues, in a maximum period of 10 years from the start of work. This approach is part of the objective to maintain financial balance in the City’s overall debt portfolio.

The main anticipated performance indicators found in preliminary financial analyses are the payback period for investments, which must not exceed 10 years from the start of work, and the requirement of a positive net present value (NPV), based on a predetermined internal rate of return (IRR).

It therefore became necessary to determine a method for analyzing projects and ensuring that the criteria are respected. The SMVTP thus developed a methodology for conducting project profitability studies to determine if they respect the stated criteria to be registered in the investment fund and accurately reflect the projected monetary flow for a given period.

This methodology makes it possible to produce studies that paint a portrait of the projection over time (development and introduction scenario) for the following items:

- Income (recurring and non-recurring fiscal sources, permits, transfer taxes and sales of real estate assets);
- Direct costs (real estate and infrastructure acquisitions);
- Indirect costs (additional municipal services);
- Avoided costs (impact and savings).

As the analysis findings are based on estimates, hypotheses and sometimes long-term forecasts, it is essential that regular updates are performed until the end of the project.

For selected projects, we have looked at whether profitability studies were conducted and, if so, whether they were updated and whether the selection criteria of these projects in the investment fund were respected.

Quartier des spectacles

The urban project Quartier des spectacles, supported by the performing arts community, was created in 2001 by ADISQ (Association québécoise de l'industrie du disque, du spectacle et de la vidéo). Since then, it was discussed and supported by several studies and actions of the Partenariat du Quartier des spectacles. In 2002, the project was presented at the Montréal Summit, and the Quartier des spectacles came out as the star project.

The current challenge consists in transforming the targeted area into a truly urban space that is substantial and provides structure for the City, while supporting the growth and expansion of festivals.

The cost for carrying out the project was estimated at \$120 million at October 30, 2007. The total of investments financed through borrowings by the City is \$63.3 million. The net present value is

\$235.8 million and the internal rate of return on investment is 56%. A payback period of six years is anticipated. Recurring annual revenues at maturity in 2007 dollars are assessed at \$52.9 million.

Grants of \$40 million from each of the Québec and Canadian governments were announced during Rendez-vous November 2007–Montréal, Cultural Metropolis for the Quartier des spectacles de Montréal urban planning project.

In 2007, the mayor of Montréal made the Quartier des spectacles one of his major priorities. The Ville-Marie borough mandated the company Quartier international de Montréal (QIM) to create a special planning program (SPP) covering the Place des Arts sector of the Quartier des spectacles. The SPP was officially launched on November 12, 2007, during Rendez-vous November 2007–Montréal, Cultural Metropolis.

A profitability study on the Quartier des spectacles urban development project was conducted by the SMVTP on October 30, 2006. An update is planned for July 2008 to factor in the special planning program (SPP) study tabled at the Ville-Marie borough in April 2008.

The findings of this study confirm the profitability of this project and that it respects the profitability criteria required to be part of the investment fund.

Financing for the project resulted in the following two by-laws:

- On January 26, 2004, the agglomeration council adopted a borrowing by-law bill authorizing the financing of \$25,123,000 for the implementation of various projects in the Quartier des spectacles. Although the entire urban development project for the Quartier des spectacles had not yet been defined at the time, certain projects located within the boundaries of this neighbourhood had already been determined and could be launched (e.g., enhancement of Saint-Laurent Boulevard, festival square, acquisition of buildings, etc.); and
- On January 31, 2008, a second borrowing by-law, this time for \$108,000,000, was approved by the agglomeration council to continue the creation of the Quartier des spectacles. The Quartier des spectacles program is planned in the TCWB 2008–2010 of the SMVTP investment fund for \$120,080,000.

Nuns' Island development project

The Nuns' Island development project was launched in the early 2000s, but it wasn't until 2003 that more significant work started. In May 2006, anticipating the creation of the investment fund in 2007, the SMVTP conducted a profitability analysis of the Nuns' Island development project. This study confirmed the short-term financial spin-offs for Montréal, demonstrating that the payback period was five years starting in 2006 and eight years from the start of the project, with an internal rate of return of 45% and a net present value of \$128 million. In August 2006, the city council was apprised of the project and agreed to continue investments.

In April 2008, the SMVTP updated the profitability study on the development of Nuns' Island to integrate changes made since the May 2006 study was conducted, including:

- the addition of contracts granted since the date of the last study in May 2006;
- the construction of the Bell building on the island's Pointe-Nord;
- the advance payment of planned expenditures in capital assets in 2008 rather than in later years.

This new study confirms the planned payback period and revises the total investment amount of the project to \$79,974,754, compared to \$77,477,400 planned two years earlier. This study was attached to the SMVTP intervention accompanying the borough council's decision to approve the grant of a contract to carry out infrastructure work in the Pointe-Nord sector of this project.

Montréal Harbourfront

The Société du Havre de Montréal's service offer aimed at carrying out the first phase of the Bonaventure Autoroute was adopted by the agglomeration council in August 2007, after the first profitability study of the project in October 2006 and the April 2007 feasibility study. The project's profitability study showed a NPV of \$770,100 and payback period of 13 years. The project was still accepted, since the long-term profitability (15 years and more) was very worthwhile and certain pertinent information (forecasts on the evolution of the real estate market) was to be clarified in future studies. In February 2008, a second study was conducted. This time, a NPV of \$61,452 was estimated for a 10 year recovery period. These new numbers met the assessment criteria set by the City for accepting a project as part of the investment fund.

We examined the analysis method used to assess the project and we find it adequate. However, when considering the amplitude of costs planned for this phase of the project (about \$90 million), the estimated NPV of \$61,452 seems low to us. In fact, a slight overrun of costs would modify this estimate and render this project unprofitable. Société du Havre de Montréal management is aware of this problem and a new profitability study based on the findings of a preliminary detailed design must be conducted by the SMVPT at the beginning of 2009. This preliminary detailed design will specify all the information on carrying out the project by reviewing the hypotheses used to estimate the income generated by the development of real-estate projects and infrastructure costs. Consequently, it is difficult to come to a conclusion and decide on the pertinence of the classification of this project in the investment fund.

Furthermore, we noted that certain costs related to this project were not taken into consideration, such as improving the development of public land (\$13 million) and green spaces (\$9 million), archeology, soil management, moving the snow chute as well as a portion of reconstruction costs for underground infrastructure. However, the costs that could be saved during the repair of the Bonaventure Autoroute, which are included in the project, were not taken into account. According to a study, these repair costs should have totalled \$60 million and would allow for an extension in the useful life of the highway over the next 35 years.

The Service de la mise en valeur du territoire et du patrimoine conducted profitability studies for all projects examined. These studies revealed that the projects selected respected the criteria stated to allow their registration in the investment fund.

Recommendation

Given that the last profitability study of the Havre de Montréal project indicates a low net present value, we recommend that the Service de la mise en valeur du territoire et du patrimoine conduct a new profitability study of the project after the Société du Havre de Montréal files its preliminary detailed design report. This new study should include all pertinent costs in order to confirm or invalidate the project's profitability and to follow up appropriately.

Actions proposed by the Service de la mise en valeur du territoire et du patrimoine

“The Société du Havre must provide us current data for the harbourfront project at the beginning of November. The project profitability analysis will be redone with more specific data. Furthermore, a new concept will be integrated into the profitability calculation model; that of the costs avoided in terms of maintenance savings in the work zone.

This update will enable the SMVTP to obtain a snapshot of what is to come compared to what was planned in 2007 in terms of the following items:

- *Progress of the private development project;*
- *Project perimeter;*
- *Municipal investments (development work, acquisitions, etc.) and expected funding from grants;*
- *Avoided costs (maintenance of the section during the construction period, etc.);*
- *Scheduling of development work; and*
- *Costs for moving the snow chute and rebuilding it as well as any other municipal expense resulting from the redevelopment of the Bonaventure Autoroute.*

Once this information is obtained, the SMVTP will be able to calculate the profitability of the project and compare it to what had previously been put forward.” (Planned completion: November 2008)

Planned financing

For 2007, an amount of \$60 million was budgeted. An analysis of the investment balance sheet of the investment fund at December 31, 2007, presents the following data:

In millions of \$			
Modified budget	Actual expenses	Budget balance	% achieved
\$63.1	\$31.1	\$32.0	49.3%

Some of the main differences between the modified budget and the actual results are:

- \$6.2 million Time for obtaining the property rights for Esplanade Clark, acquisition of 2–22 Sainte-Catherine (Quartier des spectacles);
- \$5.4 million Delay for signing the protocol with the McGill University Health Centre;
- \$3.0 million Agreement signed with the developer at the end of 2007 (Contrecoeur site);

- \$0.9 million Revised schedule and amounts deferred to the 2008 budget (Montréal Harbourfront);
- \$2.4 million Certificate of compliance not obtained (Acadie-Chabanel sector).

In the next three years, the City of Montréal plans to invest amounts of \$60 million annually in the investment fund to carry out City projects. It is also planned that additional amounts will come from the federal and provincial governments as well as other financial partners. These additional annual investment efforts should be required until the income from property makes it possible to regenerate the fund and to self-finance development projects.

Investments and financing planned in the 2008 budget for 2008, 2009 and 2010 are as follows:

In millions of \$			
	2008 Projected	2009 Projected	2010 Projected
Investments	\$129.4	\$166.6	\$149.9
Financing			
City borrowings	\$60.0	\$60.0	\$60.0
Grants	<u>\$69.4</u>	<u>\$106.6</u>	<u>\$89.9</u>
	\$129.4	\$166.6	\$149.9

The grant amount indicated in this table included a grant of \$140 million over five years (\$33.6 million annually for 2008–2010) from the Gouvernement du Québec to finance Montréal 2025 projects.

The Gouvernement du Québec released the *Strategy for the Development of Every Region* on February 20, 2007. Under this strategy, \$140 million over five years was announced in the 2007–2008 budget to support Montréal's economic development. It is in addition to the considerable efforts already put forth by the City in this regard, namely the creation of a strategic investment fund of \$180 million over three years.

In this context, the Gouvernement du Québec and City of Montréal agreed to develop an agreement protocol describing the implementation terms of this budgetary measure. The City's executive committee approved this protocol at its March 31, 2008, session. It provides for payments over five years as follows:

- 2007–2008: \$6 million
- 2008–2009: \$18 million
- 2009–2010: \$25 million
- 2010–2011: \$35 million
- 2011–2012: \$35 million
- 2012–2013: \$21 million

Payments provided for under the agreement protocol project therefore amend the annual payment schedule initially stipulated in the City's 2008 budget (\$33.6 million annually). The effects of these changes on the projects to be carried out and the borrowings of the City are still unknown at this time. It is possible that certain projects will be delayed or cancelled or that the City's borrowings will be increased.

In this framework, to benefit from the financial assistance provided for by this protocol, the City has agreed to table a program, determining the projects that will benefit from the financial assistance under the protocol. This partial program, which establishes the first projects selected, could be completed at a later date. The program was approved by the executive committee on May 21, 2008, the city council on May 26, 2008, and last by the agglomeration council on May 28, 2008. Adoption of the 2008 partial program of projects will allow for payment of two amounts, a first of \$6 million immediately and a second of \$18 million during the year.

In addition to the \$140 million grant, other grants are also planned during 2008–2010, including the one for the Quartier des spectacles for \$36.2 million (announced at Rendez-vous November 2007) and one for the McGill University Health Centre (MUHC) and its surroundings for \$15.5 million (a protocol was signed). Protocols for other projects are in the works, including the Centre hospitalier de l'Université de Montréal (CHUM) and its surroundings for \$10.5 million and the Montréal Harbourfront for \$44.8 million.

Recommendation

We recommend that the Service de la mise en valeur du territoire et du patrimoine perform a strict follow-up of anticipated grants, assess the consequences that could result from unrealized planned payments and suggest adequate alternatives in order to avoid any

significant delay that would risk changing the project development and even compromise its completion.

Actions proposed by the Service de la mise en valeur du territoire et du patrimoine

“The preferred solution is to hire a professional for the Direction de l’analyse financière et de l’administration of the SMVTP whose mandate would be to develop a follow-up process for the grants that the projects financed by the investment fund could qualify for. To do this, the introduction of strict mechanisms involves an inventory of government grants awarded within structured programs, as part of specific agreements or under a total budget allowance such as the one for \$140 million to support Montréal’s economic development as well as regular follow-up of these grants. This professional would also be responsible for suggesting to the project managers involved alternative actions or solutions so as not to compromise the successful completion of a project in case of a delayed or unrealized grant.

A regular interface process will be implemented between this professional and the project managers. Furthermore, the production of a quarterly report will enable the SMVTP’s Directeur général adjoint to report on grants to the various committees involved in the completion of major projects (Comité corporatif de gestion des grands projets, Réaliser les grands projets de Montréal 2025 committee, etc.).” (Planned completion: February 2009)

Completion schedule

To ensure that the projects are carried out according to the intended planning and that the committed costs correspond to work progress, project managers must have the tools that will enable them to perform a follow-up.

Our examination of the Quartier des spectacles and Montréal Harbourfront projects showed that a schedule had been prepared for each of them. These schedules indicate the main steps to complete and when. The activities listed in these schedules were reviewed and these projects are progressing according to forecasts. Moreover, the managers met indicate that no delay is expected at March 31, 2008.

As for the Nuns’ Island development project, we found a schedule for the development of the island’s Pointe-Nord sector. This schedule contains information comparable to that of the two other

projects examined. In terms of development of the other sectors (Pointe-Sud, Place du commerce and Gaétan-Laberge Boulevard/Therrien Park), we have not found a schedule for the completion of all work. Follow-up of these sectors is performed primarily using data included in the decision summaries dealing with the granting of a contract. The decision summaries indicate the main steps for completing the projects and the timelines to respect. The managers that we met with indicate that the work on the development of Nuns' Island is progressing according to the new forecasts and that no delay is expected (the project should be practically finished in 2010 instead of 2015).

Conclusion

For each of the projects examined, we found a completion schedule for the work indicating the main steps to take to complete the planned work. The review of these did not reveal any delay in carrying out the planned work.

Follow-up on project costs

Compared with the Nuns' Island development project, the follow-up of costs is done differently for the Quartier des spectacles and Montréal Harbourfront projects. Follow-up for the expenses committed for these projects is performed by the organizations in charge of carrying out these projects. Regularly throughout the year, these organizations produce follow-up reports on work progress, a schedule and a follow-up of costs for internal management purposes. These reports are presented to the authorities of each of these organizations. City representatives sit on the board of directors of these companies. Respectively, they represent a quarter of members of each of the boards and are in a position to assess the quality of these follow-ups. As for the follow-up of the Nuns' Island development project, it is performed in the same way as regular TCWB projects. Furthermore, the Verdun borough director informs the Réaliser les grands projets de Montréal 2025 committee of the adherence to costs imputable to the project.

At the time of our audit, all projects included in the investment fund were incorporated into the TCWB follow-up performed by the Service des finances. This department is currently developing a mechanism to enable a specific follow-up of projects that are part of the investment fund; its introduction is planned by the end of 2008. This new follow-up will not be limited just to costs, but will also extend to expected income in the financial analyses of certain projects. An application will be developed in order to access pertinent information (tax income).

As for the Quartier des spectacles project, the management and completion costs for the phase 1 in progress increased by 6.9%, that is, by \$8,343,811 out of a total budget of \$120 million. The project's administrative manager ensures that this increase will be compensated by cost reductions in future phases of the project. The following expenses were approved by the executive committee on May 14, 2008, and the agglomeration council on May 28, 2008:

- An increase in the completion budget for the first phase of the project of \$6,240,835 for noticeable improvements to preliminary concepts that affect the current worksite on Îlot Balmoral; and
- An additional expense of \$2,102,976 to amend the professional services agreement signed with the Société d'habitation et de développement de Montréal (SHDM) due to the accelerated work and market conditions as well as for the preparation of urban development plans and design specifications for the Quartier des spectacles square and Balmoral and Mayor streets.

As for the Nuns' Island development project, the expected costs for its completion have not increased much. In fact, the first profitability study conducted in May 2006 set the expected costs at \$77,477,400 while the study conducted in 2008 set them at \$79,974,754.

The costs projected for contracts granted to carry out each phase of the Montréal Harbourfront project have remained pretty much the same (overall difference of less than 1%), or \$5,378,892, compared to an original budget of \$5,355,531.

Conclusion

The procedures implemented by all stakeholders (companies, borough, Direction générale, SMVTP and Service des finances) make it possible to ensure effective follow-up of project costs and to approve, as required, cost increases related to carrying out projects.

Accountability measures

For the individuals in charge to be able to assess to what extent the projects in the investment fund are carried out according to established forecasts, systematic and permanent reporting mechanisms must exist. For this, management reports must be produced periodically and include pertinent information on the assessment of results achieved during the period covered.

The Bureau de gestion des grands projets oversees the general financial follow-up of all projects. It produces the analyses of financial opportunities accompanying the projects, performs economic and financial pertinence analyses, schedules priorities and prepares the financial documentation necessary for analyses and budgetary oversight. It also manages the budget allowances of the projects registered in the investment fund and regularly produces an accountability report, all in compliance with the financial governance framework.

As previously mentioned, an administrative manager was appointed to ensure every project is carried out on schedule, and committees are planned at the Direction générale and executive committee level for follow-up on projects. An accountability report is therefore issued to the administrative manager, who then reports on the project to the various committees, including Réaliser les grands projets de Montréal 2025. Last, this committee reports to the executive committee.

Reporting to the administrative manager

Quartier des spectacles project

A governance model of the Quartier des spectacles program, from planning to full completion, was developed by the Director General, and a proposal of the governance model was presented to the executive committee on September 12, 2007. The extent of public funds at stake requires that the elected officials of the City of Montréal be the ones to retain the project's decision-making powers. Furthermore, a political sponsor, administrative sponsor and project manager were appointed.

The City has entrusted the Quartier international de Montréal (QIM) with the project management of development work for the Quartier des spectacles (except for phase 1A) until the specific terms of the financial contributions of its Québec and Canadian government partners are determined. A project management professional services agreement for the implementation of the four phases of the Quartier des spectacles project will be an extension of and complementary to the mandate to prepare the preliminary detailed design of the Quartier des spectacles. The QIM will prepare all documents required by the City and assist it through the contract granting decision process. It will see to the administration of contracts with consultants, suppliers and contractors and will submit to the City a report of payments made for the execution of the contracts. It will keep the project's master budget and prepare a project schedule. The City will grant contracts in compliance with the rules in effect.

In addition, the city council entrusted the Société d'habitation et de développement de Montréal (SHDM) with the responsibility of developing phase 1A of the Quartier des spectacles (Îlot Balmoral). The SHDM owns the northern part of Îlot Balmoral, a lot located at the corner of De Maisonneuve Boulevard and Jeanne-Mance Street that was established to accommodate festivals in the Quartier des spectacles project. Extensive excavation work to give a gradual slope to the lot at Jeanne-Mance started at the end of March 2008 and will be completed in June 2009 for the entire phase 1.

The governance framework for the Quartier des spectacles program comprises several levels and ensures a link between political offices, administrative departments and project management. To ensure project leadership, a political sponsor and an administrative sponsor were appointed. The political sponsor is an elected official chosen by the mayor. The administrative sponsor is a civil servant appointed by the Director General who monitors and regularly reports on project progress to the political sponsor as well as the Director General.

Executive and management committees were also created (Réaliser les grands projets de Montréal 2025 committee, major projects corporate management committee, public utilities committee, technical committee), which receive various reports on the progress of the Quartier des spectacles project. A committee for the communication section was recently set up and a budgetary oversight committee will soon follow. Presentations have also been prepared by the SMVTP to enable committee members to track and monitor the project development, including project costs compared to the budget, progress, risk and opportunity management and respect of timelines.

Nuns' Island development project

Accountability measures for the Nuns' Island development project consist primarily of decision summaries used for the granting of the contract pertaining to the completion of projects, along with the production of a follow-up report of TCWB expenses and regular meetings with the administrative manager of the project.

The decision summaries prepared for making a decision on granting contracts for the work of a project include the project description, the costs to complete the contract and the completion schedule.

The TCWB's expense report is produced annually. This report indicates the expenses incurred in previous years and the forecasts for the full completion of work. This report is prepared for each of the four sectors of the Nuns' Island development project and includes a brief description of work planned.

Borough managers regularly issue a report of the costs and timelines to carry out the granted contracts to the administrative manager for review and discussion. The administrative manager then reports pertinent information on the project to the borough council.

Montréal Harbourfront project

The mandate for carrying out the work for the first phase of the downtown expansion (Bonaventure Autoroute), from Saint-Jacques Street to Brennan Street, was awarded to Société du Havre de Montréal. A proposal was negotiated with this company on the completion of a preliminary detailed design report of the redevelopment of the Bonaventure Autoroute. This proposal includes a description of the project objective, the content of each phase of the project, detailed anticipated costs for completion and the timeline.

For internal management purposes, the Société du Havre regularly produces a progress report of the preliminary detailed design. This report includes the work progress, a timeline and cost tracking. It is presented for discussion to the Société du Havre management committee, on which the Director General sits, and then to the board of directors, on which the mayor of Montréal also sits. Last, the president and CEO of the Société du Havre regularly presents information on the project's progress to the Comité corporatif de gestion des grands projets and, on invitation, to the Réaliser les grands projets de Montréal 2025 committee.

Reporting to the Direction générale and elected officials

Accountability measures are also planned at the level of the Direction générale and elected officials through the Comité corporatif de gestion des grands projets and the Réaliser les grands projets de Montréal 2025 committee. These committees meet every two weeks.

During meetings of the Comité corporatif de gestion des grands projets, committee managers report on the situation of major projects. As for the Réaliser les grands projets de Montréal 2025 committee, members receive a table of the follow-up of Montréal 2025 major projects. This table

indicates, by project, new information since the last meeting, the next steps to complete, investments provided for in the TCWB and pictograms indicating whether the project is being carried out as planned or if difficulties have been encountered and whether these difficulties compromise the completion of the project.

Furthermore, during meetings with the Réaliser les grands projets de Montréal 2025 committee, special presentations are sometimes made when a new project is added, when a particular problem occurs in a project or for the release of financial results. Thus, in fall 2007 and spring 2008, the SMVTP presented information on the actual expenditures in 2007 for every project as well as planned investments.

The Montréal 2025 major projects follow-up table is then presented to the executive committee by the SMVTP's economic and urban development director.

Eventually, when the degree of project completion is sufficient, the Service des finances will have to produce reports on the income generated by these projects.

As we can see, there are several sources of information on the completion of projects at various levels of the organization. Each of these sources provides pertinent information on the completion of major projects.

However, especially in terms of the Réaliser les grands projets de Montréal 2025 committee, we noted that there is no periodic report summarizing activities in the form of a review on the completion of each project concerning the investment fund. Such a review would provide a snapshot of the entire situation and make it easier to assess the activities completed and better plan the steps to take to complete projects, while promoting the co-ordination of all stakeholders.

This review could also discuss the following elements, among others:

- Projected and actual annual and overall costs for the completion of each project;
- Government grants received and to be received and their uses;
- Work completed in terms of what was planned;
- Work progress for major projects in the investment fund;
- Main problems encountered;
- Corrective measures to put forth.

Recommendation

We recommend that the Direction du développement économique et urbain of the Service de la mise en valeur du territoire et du patrimoine produce, when appropriate, a summary report broken down by project indicating all pertinent information on the smooth running of projects and issue it to the Réaliser les grands projets de Montréal 2025 committee to let it know to what extent the projects undertaken make it possible to respect the allowed costs and timelines.

Actions proposed by the Service de la mise en valeur du territoire et du patrimoine

“In order to establish a formal accountability process with regard to the Réaliser les grands projets de Montréal 2025 committee, a review of the investment fund project portfolio will be drawn up periodically and presented during a meeting of this committee. This review of the various parameters used to diagnosis the progress of a project will help to better plan the steps to take to complete it, in accordance with the committee’s directions.

This review, which will be prepared and presented quarterly, will discuss the project content, projected and actual costs of the project, various sources of financing, work progress compared to what was planned, risks, problems encountered and corrections to make. Given the various factors that can affect project timelines, attention will also be paid to the review of hypotheses supporting the profitability analysis of these projects.” (Planned completion: November 2008)

MANAGEMENT OF WORK ORDERS (GDT)

BACKGROUND

In 2004, before the launch of the integrated network for the delivery of services to citizens (e-Cité/311), the city council approved the budgetary appropriations required to develop the “Gestion des demande de travail” (GDT) computer application.

Coupled with the “Gestion des demandes des clients” (GDC) application, the project known as “GDC/GDT” was part of the municipal administration’s priorities aimed at improving the delivery of services to citizens by standardizing and modernizing the systems used to receive, manage and process the requests of clients (including citizens, elected officials and employees.)

The GDC and GDT applications are closely linked. In fact, while the mission of the GDC application is to manage the service requests of clients (recording and follow-up of requests: complaints, queries, comments and requests for information), the GDT application has a complementary mission to manage all the resources necessary to complete the work orders.

More specifically, the GDT application was to be developed in such a way as to offer users in borough public works departments specific functionalities that would enable them to handle client requests more effectively (requests addressed to this area of activity in more than 80% of the cases). The GDT would thus make it possible to generate work orders that, with the help of geomatics or spatial functions, would provide geographical mapping of the work and facilitate planning, analysis and follow-up by the various public works teams. Once processed, the information integrated into the GDT would instantly be redirected to the GDC, so that all citizens requesting information on their file could receive accurate information.

METHODOLOGY AND SCOPE

The purpose of our audit was, on the one hand, to ensure that the GDT project was managed in accordance with users’ needs, budget allocations and planned timelines. On the other hand, we wanted to assess to what extent the business units were using the GDT to adequately handle work orders within reasonable time limits and provide periodic status reports.

Our audit was primarily carried out within the Direction des relations avec les citoyens, which reports to the Service des communications et des relations avec les citoyens, and the Direction des services informatiques, which reports to the Direction générale and the Rosemont–La Petite-Patrie, Verdun and Montréal-Nord boroughs. Where necessary, we also contacted other boroughs in order to obtain additional information on very specific points.

The audit focused mainly on 2007 and on the first four months of 2008. However, given our objective, we also reviewed some data prior to these years.

OBSERVATIONS AND RECOMMENDATIONS

The Direction des services informatiques (DSI) was mandated, in partnership with the Service des communications et des relations avec les citoyens (SCRC), to develop the GDC and GDT applications, which would then be set up in all the boroughs of the City. For the DSI, development of these two computer applications was among the major priority projects that had a strategic effect on the City of Montréal.

From the start, the purpose of the GDT was to enable the specific handling of citizens' requests by the public works and maintenance departments, as well as by other operational departments. In developing an application that enabled management of work orders and offered other functionalities specific to public works departments, the Service des communications et des relations avec les citoyens saw an opportunity to motivate staff in the boroughs' public works departments to follow up on citizens' requests.

The DSI thus began to develop the GDT in 2004. According to the data we obtained, information sessions were held prior to implementation of the project in order to present the mission and objectives of the application to the Direction générale, as well as to borough management.

It was stipulated at that time that the mission of the GDT application was to manage all the resources needed to complete the work orders. This mission provided for the planning of work, the assignment of human and material resources to carry out the work, the coordination of operations, the follow-up of work progress and the management of the City's assets (including street furniture and equipment). The guiding principles stated at the time stipulated that the application should:

- facilitate the organization of work;

- facilitate the assignment of resources;
- automatically channel work orders to the business unit concerned;
- communicate work progress to other systems (e.g., GDC);
- update inventories;
- directly use mapping tools;
- support the general classification of the services offered by the City; and
- provide reports to assist in decision-making.

Implementing the application in the boroughs finally began in May 2006 and ended in June 2007.

Shortly before the start-up of the Réseau ACCÈS MONTRÉAL in December 2007, the Direction générale approved, on November 6, 2007, the “Gestion du Réseau ACCÈS MONTRÉAL” administrative framework intended to manage the integrated network for the delivery of services to citizens of the City of Montréal.

The objectives of this framework, which applies to all the business units of the boroughs and central departments involved in the delivery of services to citizens, are:

- to motivate the boroughs and central departments to share the same vision and the same commitment to the delivery of services to citizens (a common culture of service to citizens);
- to enable the boroughs—the lead providers of local services—and the central departments to directly and quickly manage the processing, follow-up and resolution of citizens’ requests;
- to ensure optimal and coordinated management of the Réseau ACCÈS MONTRÉAL in order to improve the quality of direct and indirect services offered by the boroughs and central departments; and
- to provide the boroughs and central departments with reliable management tools (including management reports, dashboards and databases.)

Among the corporate tools and information sources of the Réseau ACCÈS MONTRÉAL, the framework recognizes the GDT application as part of the applications to be used by the boroughs and, where applicable, by the central departments.

At the time of our audit, the GDT was implemented in 77 administrative units reporting to the Direction des travaux publics (e.g., Division de la voirie, Division des parcs et de l’horticulture, Division des études techniques), in 18 of the 19 boroughs of the City. We should specify that the

Lachine borough only agreed to come on board with the GDC/GDT applications as of spring 2008. At the time our report was being produced, the borough had not begun implementing the GDT.

Planning, follow-up and control of the GDT application development project

In order to optimize the rollout and, ultimately, the success of a project, a structured approach must be used. This approach must not only aim to ensure that the contents of the project are well defined and meet the needs of the users but it must also be orchestrated in such a way as to ensure compliance with the budget allowance and planned timeline, keeping in mind the risks inherent to the project.

First, this approach implies that the project plan must be clearly established and well documented in order to set the parameters. Afterward, follow-up and control mechanisms must be put in place to ensure suitability with the established plan and also to encourage informed decision making so that there are necessary corrective measures in place in the event that the project fails to meet its objectives in terms of content, costs or timeline.

The Direction des services informatiques was thus mandated to proceed with the development and implementation of the application in the boroughs. Because of the specialized knowledge required, it was agreed that the services of outside firms would be used in addition to the project team, made up of City employees (DSI).

Following interviews and document searches conducted to assess how the project was managed, we concluded that, with the exception of introductory information sessions held prior to the kick-off of the GDC/GDT project, no structured development plan was drafted and documented for the GDT project.

Due to the absence of documentation, it also proved difficult to clearly identify the team responsible for developing and implementing the project, as well as the roles and responsibilities of the various contributors to the project.

As well, we could not retrace the existence of any report on the progress of this project. In our opinion, such a report would have been an invaluable tool to follow up and periodically monitor the level of progress of the project, taking into account the budget allowance available, costs incurred

and planned timeline. Other than verbal exchanges, we concluded that very little formal accountability seems to have been provided for and integrated into management of this project.

According to the information we obtained, it appears that the DSI staff in charge of the project opted instead for a working method in which a GDT application prototype would be developed in real time through the active participation of users. As a result, the project contents, in particular the functionalities to be developed, would be determined by the users as work progressed.

Therefore, beginning in 2004, a “user committee” made up of representatives of the DSI development team and borough public works departments (e.g., foremen, technical officers, division managers, department managers) was formed. Since participation in committee meetings was on a voluntary basis, not all boroughs were represented.

In 2005, as part of this process, the GDT application was implemented as a pilot project in the Direction des travaux publics of the Ahuntsic-Cartierville borough. Always with the support of the user committee members, the DSI project team continued, for about a year, to develop the application in real time in this borough. The resulting project would later serve as the framework for the other City boroughs. Implementation of the GDT in all of the boroughs (with the exception of Lachine) therefore extended from spring 2006 to spring 2007.

In our opinion, while adopting this method of developing an application has the advantage of encouraging the active participation of users so that the tool will meet their needs, the lack of a structure or framework within which to manage the project nonetheless increases the risks of facing cost overruns, not complying with the planned timeline and, ultimately, compromising the rollout of the project. In this regard, our audit uncovered the following findings:

- The GDT project currently has significant cost overruns. In fact, according to the documents we consulted, \$1.5 million was initially planned for the development and implementation of the GDT. However, we concluded that, come the end of 2008, the application will have cost \$3.85 million in professional fees (consultants) and equipment purchases. Added to these are the costs associated with the internal City resources assigned to complete the project, which the DSI estimates at around \$1.5 million, bringing the real costs to around \$5.35 million (without counting the costs of efforts deployed in each of the boroughs where development of the application was spread out over 15 weeks.) In short, we cannot accurately determine the total costs of the project.

- The timeline presented at the time of approval by the city council of the budgetary allowances needed to implement the project was not respected. The initial timeline provided two years for the development and implementation of all GDT functionalities. In fact, the project will have been spread out over four years (from 2004 to 2007) and, to date, certain functionalities still have not been deployed.
- We examined the logs in which requests for changes or improvements to the application are compiled. From 2005 to the time of our audit, 603 requests have been recorded. The number of these requests for changes left us perplexed about management of the project. According to information obtained from the individuals with whom we met, the user committee recommends and approves requests for changes without any intervention from a senior authority (e.g., the project steering committee) and without any assessment or request for approval of the resulting costs or effects on the timeline. We believe that this working method, coupled with a lack of accountability, is likely to lead to higher costs and non-compliance with the timeline.

In conclusion, we are aware that delivery of the GDT application represented a major challenge. On the one hand, it was one of the applications identified as a priority for the operational support of the Réseau ACCÈS MONTRÉAL and the 311 service, whose launch was initially planned for spring 2007 but was pushed back to the end of 2007. On the other hand, this corporate tool had to be implemented in each of the boroughs in a context where they all work independently, using different applications and methods. Given the scope of the project, we believe that it would have benefited from a well-structured project management process and should have been provided with management tools to facilitate planning, follow-up and monitoring.

Regarding this matter, it should be mentioned that, since 2007, the DSI has put in place a project management function. Even more recently, on May 27, 2008, the Bureau de projets was officially designated as a separate administrative unit within the organizational structure of the DSI. Subsequently, on June 11, 2008, the DSI announced via an internal memo that its information technicians now had access, through the City's Intranet, to a complete set of useful tools for the daily management of their computer development projects (e.g., log of deliverables, dashboard–project progress status, risk logs, project charter, attendance sheets). According to the information we obtained, the team of the Bureau de projets is especially intent on standardizing and normalizing project management within the DSI.

Recommendations

We recommend to the Direction des systèmes d'information to take the necessary measures to:

- ensure that the management tools recommended by the Bureau de projets to favour a better framework for the planning, follow-up and monitoring of projects are appropriately and systematically used by all DSI staff; and
- ensure that regular accountability measures are put in place so that the DSI is informed about the progress of projects, both from a cost and work progress standpoint, to better define, where necessary, any adjustments to be made.

Actions proposed by the Direction des systèmes d'information

“As part of the structuring and standardization activities, the Bureau de projets of the DSI deployed a toolkit for the management of projects in 2008.

In order to make the use of this toolkit appropriate and systematic, the Bureau de projets de la DSI has taken two initiatives:

- *Initiative 1: Since early 2008, information sessions have been given to department managers, management systems consultants and DSI project managers;*
- *Initiative 2: Since September 2008, four-day training sessions have been offered to persons in charge of DSI projects.*

In order to manage its operations, the Bureau de projets of the DSI put in place an integrated project management system in February 2008. (Planned completion: September 2008)

Gradually, an accountability report will be prepared and presented, on a monthly basis, to the portfolio management committee to update them on the budgetary status of the projects and their level of progress.

In 2009, this practice will become systematic for all projects that involve DSI resources.

The first accountability report will be presented in January 2009.” (Planned completion: January 2009)

Use of the GDT application

Once a citizen's request (e.g., query, complaint) is received, it is entered into the system using the GDC application. Depending on the nature of the request, it is then forwarded to the person or group designated to handle it. All actions related to taking charge of, processing and, ultimately, closing the request file are entered into the GDC application.

For requests that involve public works activities, however, the GDC automatically transfers these over to the GDT so that the department automatically takes charge of, processes and closes the request file. As with the GDC, the GDT enables users to take advantage of geomatic functions (mapping) that make it possible to view different layers of data onscreen (e.g., locating requests on the territory, locating obstructions to traffic flow, locating and identifying street signs). In addition to enabling specific handling of work orders, the GDT also has specific planning functions for the regular operations of the public works departments. For example, the GDT makes it possible to indicate the staff, materials and equipment needed to perform a chosen task, design or add a sketch or layout to a file, visualize items of street furniture (catch basins, parking meters, trees, fire hydrants) or measure the length of a street section in order to do repairs.

In complete transparency, the GDC and the GDT then communicates information about the status of a request, so that any citizen who wishes to be informed about the progress of a file can receive that information quickly.

While users can always handle a request through the GDC rather than the GDT, the use of the GDT is recommended for public works departments. It should be reminded that the administrative framework approved by the Director General for the management of the City of Montréal integrated network for the delivery of services to citizens recognizes the GDT as one of the corporate tools that must be used by all boroughs to manage work orders that involve the public works department.

A little over a year after implementation of the application, we wanted to see to what extent the boroughs were using the GDT as planned.

Analysis of the reports produced by the Direction des services informatiques on the use by business units of the GDT compared with the GDC for the period between January 1 and April 30, 2008, revealed that fewer than 20% of the business units reporting to the public works departments always used the GDT (100% of the time) to handle citizens' requests. This shows that most of the

business units continue to handle requests using both the GDC and the GDT, even though use of the GDT is recommended.

In spite of efforts put forth by the GDT deployment team (training, support, awareness tour with managers), we concluded that the application was being used to varying degrees among the boroughs, as well as within the management of individual boroughs' public works. In fact, some business units do not use the GDT. For example, in the Verdun borough, the Direction des travaux publics preferred to continue using the GDC because they felt that it adequately met their needs for handling citizens' requests. According to the information we obtained, the borough intends to come on board and use the GDT in fall 2008. We also noted that some business units in other boroughs had also pushed back use of the GDT.

In light of this, we examined certain aspects of the handling of work orders as they were initially proposed by the DSI at the time of the application's development.

Assignment of persons responsible for the handling and closing of requests that are integrated into the GDT

The development of the application initially planned for foremen to be responsible for taking charge of citizens' requests, generating the corresponding work orders and closing the requests after the work was completed. This process would foster accountability among the foremen, the scheduling of citizens' requests within the regular workload, and follow-up to ensure the closing of the requests.

During our audit, we concluded that the majority of the boroughs had not adopted this working method. Rather, the business units designated individuals other than the foremen to manage and close citizens' requests based on the model that best fit into their style of management. According to the information obtained from the individuals with whom we met, four GDT request processing models have been established in the boroughs:

- Handling, follow-up and closing of service requests in the GDT by foremen, as planned at the time of development;
- Handling of requests in the GDT by the foremen and closure of requests by administration staff (e.g., secretary, office clerk);
- Handling and closure of service requests in the GDT by administration staff; and

- Hybrid model within the same borough, based on the business unit's management style.

At the time of our audit, the DSI did not have a current portrait that allowed them to determine the working method used by each business unit, but it estimated that around a quarter of the boroughs were using the method initially proposed, where foremen handle and close requests.

Breakdown of activities

According to what was originally planned, the breakdown of activities (e.g., cutting down trees) into tasks (e.g., inspection, grubbing, planting) would allow data to be recorded in order to track the progress of a request as work was being done and, ultimately, to inform citizens in real time of the status of their requests. This breakdown of activities would also enable foremen to indicate the dates planned for the various stages of a work order and to follow up on them.

During the initial deployment of the GDT in 2006 and 2007, the boroughs were invited to develop models of tasks for all the activities planned in the GDC/GDT. According to information we obtained, some boroughs did follow up, but most did not complete the exercise for all activities. In the case of those who did break down their activities into tasks, we concluded that completion dates for each of the tasks (indicator of work progress) were not systematically entered into the GDT.

During our audit, the people in charge of the public works departments that we met mentioned that, given the time needed to enter the data daily into the GDT and the fact that several of the requests from citizens were generally resolved within a very short period of time, they did not see the relevance of breaking down all activities into tasks.

Consequently, since activities have not been broken down into tasks, and actions carried out are not entered into the GDT system as the work progresses, the staff assigned to provide customer service are not currently able to inform citizens about the progress made on their requests, as had initially been planned.

Yet the administrative framework, approved by the Director General in November 2007, reiterated this need by stating that the main actions performed or decisions taken must be recorded in the GDC/GDT by the persons in charge as work progresses, so that the files and their follow-up can be

well documented and any citizen inquiring about his/her request can receive accurate and relevant information.

In connection with this, we should clarify that, since the start of 2008, the DSI has been touring the boroughs to reposition the GDT in their business procedures. These visits are intended mainly to go over each of the activities of the public works departments and to encourage the persons in charge to determine certain essential tasks for which recording information could be useful for extracting data, which would enable them to plan the completion of other activities at a later date.

Planning functionalities

As was initially planned, the GDT was meant to facilitate the planning of actions as well as human and material resources dedicated to the completion of the work, and coordinate activities.

During our audit, the GDT was mainly used to manage citizens' requests originating from the GDC and involving public works activities. Since the GDT was implemented, some boroughs have started integrating so-called "internal" work orders into it related to work to be done within their regular or planned workload or one-time work orders not coming from citizens but rather from staff in the borough (foremen, department or division managers, elected officials). According to data extraction obtained from the DSI, internal work orders represented only about 3% and 2%, respectively, of the work orders created in the GDT in 2007 and the first four months of 2008. While the creation of these internal work orders shows a certain interest in using the GDT for purposes other than management of citizens' requests, we noted that 90% of the internal requests created in this way came from only four boroughs.

To date, regular activities that generate work orders or roadmaps (routes) have not yet been integrated into the GDT (e.g., cleanliness, maintenance and repair of streets and sidewalks, sweeping of streets, pruning of trees). Currently, the public works departments use other tools that are not necessarily linked to the GDT to manage their regular activities (e.g., "Gestion des arbres" application, files created using applications such as Excel or Access, paper roadmaps).

The GDT also does not facilitate the planning of interventions based on planned dates. In fact, the application's current functionalities do not allow work orders to be retraced based on the planned completion date (planned date). For example, foremen cannot easily obtain the list of requests that involve future intervention without having to extract the information from the data warehouse, a

laborious exercise that is not easily accessible to most users. According to information obtained from the DSI, the ability to sort work orders according to planned dates has not yet been developed, because no development request has been received in this regard.

In conclusion, while a post-implementation phase was planned within the implementation framework for this kind of project, it appears that, after more than a year of using the application, it has not been easy to get the boroughs to buy into the GDT, and the degree of use is far from standard in all the business units concerned. Users do not appear to have understood the application's added value in helping with the daily management of their activities. In addition, several functionalities that are specific and useful to public works have not been deployed within the boroughs (e.g., route management, georeferencing of certain assets.)

At this stage, it seems that the GDT is increasingly perceived as a tool to meet the goal of delivery of services rendered following citizens' requests rather than as a useful tool to help manage operations. In this sense, it is not apparent to us that the benefits of the functionalities specific to public works departments for managing their operations have been sufficiently demonstrated.

Recommendation

We recommend that the Service des communications et des relations avec les citoyens, in collaboration with the Direction des services informatiques, produce, for the Director General, a report of the situation pertaining to the use of the GDT to determine in which direction this application should be taken in future.

Actions proposed by the Direction des systèmes d'information and the Service des communications et des relations avec les citoyens

“The Direction des systèmes d'information will produce, in collaboration with the Service des communications et des relations avec les citoyens, a situation report on the use of the GDT in order to determine the recommendations on the directions to take in the future.” (Planned completion: April 2009)

Governance of the GDT application

The purpose of proper governance is to provide a framework for decision making regarding the use of a corporate tool such as the GDT, based on the priorities and objectives of the municipal administration. Accordingly, the roles and responsibilities of each stakeholder must be clearly established in terms of promotion to users, maintenance, training, support and development. Sustained governance must encourage users to adopt the application and mobilize them to help achieve the objectives.

The promotion of the GDC/GDT project was part of the implementation of the “Montréal pour le réseau virtuel intégré e-Cité/311” model (the e-Cité/311 network), which required the contribution of several stakeholders. Whether it was the Service des communications et des relations avec les citoyens, the DSI, the boroughs, other central departments or the Direction générale, all had to work together toward a same goal.

From then on, in order to encourage the buy-in of all stakeholders and the success of the project, a committee structure was put in place. Therefore, in 2006, when the “Montréal pour le réseau virtuel intégré e-Cité/311” model (the e-Cité/311 network) was adopted, the municipal administration designated a steering committee made up of high-level managers representing the boroughs and the central departments, as well as elected officials, to be in charge of the orientation, the planning of the e-Cité/311 model and the implementation of the plan. This committee was also supposed to ensure follow-up of the implementation while creating a link between the executive committee and the elected officials. Finally, this committee was supposed to see to the application of the development strategy and the progress of the project.

A project team responsible for following up on the completion of the implementation work and reporting back to the steering committee on the progress of the e-Cité/311 file was also mandated by the Director General.

During this period of development and implementation of the e-Cité/311 network, the presence of a high-level steering committee, a person in charge of the file at the political level, a project team and other committees (e.g., user committee, respondents committee) thus encouraged continued governance of the project. However, although the GDC and the GDT were intimately linked, efforts were deployed first and foremost into the implementation of the Réseau ACCÈS MONTRÉAL. As a result, the functionalities specific to the public works departments that were to be ensured through

the GDT were not given the same level of priority or support. Following the launch of the e-Cité/311 integrated virtual network in December 2007, all the committees and the project team were disbanded, with the exception of the user committees (for the GDT and GDC).

However, shortly before the launch of the e-Cité/311 network, the Director General, in his administrative framework for the management of ACCÈS MONTRÉAL intended for the Division de la qualité des services aux citoyens of the Service des communications et des relations avec les citoyens to be responsible for the citizen request (GDC) and work order (GDT) management applications, as well as any changes to be made to them. It is therefore in accordance with this framework that the SCRC representatives we met declared ownership of the application.

Following our audit, however, we concluded that the roles and responsibilities of the various stakeholders involved in the GDT were not clearly defined enough to ensure sustainability. Representatives from the SCRC and the DSI mentioned to us that these roles and responsibilities needed to be clarified.

For example, the administrative framework confirms that the Service des communications et des relations avec les citoyens is responsible for changes made to the application. But in reality, throughout its development and implementation and up to the present audit, changes to the GDT have been proposed and approved by a user committee (made up of borough representatives). Because the DSI considered the boroughs to be the owners of the GDT as related to the functionalities specific to the public works departments, it sought approval from this user committee.

In another example, as the department in charge, the Service des communications et des relations avec les citoyens should have put its efforts into raising awareness among users in order to encourage their adoption of the GDT. The reality is that, during the post-implementation period, the DSI also assumed this responsibility by deploying its own efforts to encourage buy-in for the application among users (e.g., interventions with boroughs that had a lower rate of GDT use.)

On the other hand, through its mission focused on providing service to citizens, the Service des communications et des relations avec les citoyens conveys an objective of delivery of services to citizens aimed at handling their requests. In the case of the boroughs, they not only contribute to this same objective but also to another, that of the delivery of services offered regularly to all citizens (e.g., collection of household waste, snow clearing, street sweeping.) The GDT was intended to meet these two objectives.

Given the directions taken and the fact that several stakeholders behave in certain cases as owners and that the roles and responsibilities are not clearly defined, our opinion is that the governance of the GDT should be revised namely by designating a responsible body, acting as a trustee, to represent both the interests of the boroughs and those of the other central departments concerned. In the matter of governance of shared computer applications, a trustee is defined as being responsible for promoting the use of the application based on an objective, taking into consideration the needs of all users (in terms of use, training, computer support and development), authorizing changes to be made to the application and conducting a follow-up to ensure that it is working properly.

In the case of the GDT application, the trustee should clarify the roles and responsibilities of the stakeholders as they relate to training, user support, maintenance and development of the application, among other things. This trustee should also take the necessary measures to ensure take over of the application by City staff when the contracts with outside consulting firms expire.

Recommendations

Given the directions taken, following receipt of the report on the situation, we recommend that the Direction des systèmes d'information:

- **review the governance surrounding the GDT application by designating a responsible body (trustee) that will represent both the interests of the boroughs and those of the central departments and specifying the trustee's role and responsibilities; and**
- **prepare an action plan, accompanied by a timeline, to better meet the needs of users and to encourage full use of the application to ensure its viability.**

Actions proposed by the Direction des systèmes d'information

- *"A thought process will begin in order to review the governance of the GDT application. This will allow us to propose to the Director General a responsible body to represent the interests of the boroughs and the central departments concerned. Roles and responsibilities will be specified. (Planned completion: April 2009)*
- *An action plan will be prepared by the responsible body in order to meet the needs of the users." (Planned completion: July 2009)*

Management reports and accountability measures

In order to assess the performance of the activities, measurable goals must be defined and performance indicators put in place to measure the level of achievement in order to then report back via management reports.

In his administrative framework, the Director General proposed a result to be achieved in regards to citizens' requests. It would require all business units to comply with the predetermined resolution time limits based on the activity. The following indicators were developed to measure this anticipated result:

- Number of open service requests;
- Number of requests closed, within and outside of time limits; and
- Average processing time.

In order to measure the degree to which these results were achieved, the administrative framework proposes an accountability process within the framework of the Réseau ACCÈS MONTRÉAL for both the boroughs and the central departments. This accountability process provides for the management of each borough and central department to submit to the Direction générale, at least every quarter, a dashboard of citizens' requests handled during the period in question, reporting particularly on the above-stated indicators and accompanying this with an interpretation of the results as needed.

Finally, it is also proposed that the Direction générale submit to the executive committee every quarter a dashboard indicating citizens' requests handled by the boroughs and central departments. The Direction générale must also submit a report annually to the executive committee on how effectively citizens' requests have been managed by the boroughs and the central departments concerned.

Following the entry into force of the recent administrative framework, a first accountability report, dealing with the period of April 1 to June 30, 2008, will have to be prepared for the Director General by the boroughs and the central departments in July 2008.

Following our audit, we noted that the boroughs had established desired resolution time limits for all their activities, including those related to the public works departments, and had integrated them

into the GDC application. When citizens' requests involve the activities of the public works departments and are channelled through the GDT system, the same processing times as those for the GDC apply. We noted, however, that the GDT does not currently allow for any follow-up of progress of completion times in relation to the desired resolution times integrated into the GDC's routing rules.

Currently, "custom" management reports are accessible in the GDT application.

However, during our audit, we concluded that these reports are not used very much by managers and the public works departments to manage requests. As well, given the need for resolution times identified by the Direction générale, we observed that none of the "custom" management reports previously mentioned allowed GDT users to know the status of their completion time and to bring them closer in line with desired resolution times.

In order to be able to produce the requested information in time for the first accountability report, the boroughs will therefore use the reports proposed in the GDC since they relate to all the activities and provide the status of the resolution time. More specifically in regards to public works activities, interpreting the results could be more difficult since the GDT does not allow users to track these timelines and, consequently, managers might find it difficult to control this aspect.

Since one of the performance indicators measured by the Direction générale and the executive committee involves compliance with resolution times, we believe that such a situation presents a risk that business units could be tempted to speed up the closing of citizens' requests that are channelled to the GDT in order to post good results. This kind of situation would affect the reliability of the information that appears on the dashboard. Thus, the information integrated into the GDT, at the time requests are closed, might not reflect the true situation and, consequently, would be of no use.

While we recognize the importance of measuring the delivery of services to citizens, we nonetheless conclude that the current accountability process proposed within the administrative framework deals only with the handling of citizens' request, whereas a large part of the workload of the public works departments deals with everyday activities. Consequently, we believe that it would be equally relevant to measure the completion of everyday activities, since they also represent the delivery of services rendered to citizens.

Recommendations

Given the municipal administration's priority regarding the delivery of services, we recommend to the Direction des systèmes d'information to provide in the mandate of the designated body (trustee) the inclusion in its action plan of:

- the development of functionalities to measure the processing times so that adequate follow-up can be done by the users and management reports that are useful for decision making can be integrated into the GDT; and
- the establishment of other performance indicators that would also allow the measurement and assessment of the delivery of services linked to the daily workload of the public works departments.

We recommend to the Service des communications et des relations avec les citoyens to put in place appropriate mechanisms to check the reliability of the information that appears on the dashboard, in order to enable the municipal administration to have an accurate picture of the situation regarding the delivery of services.

Actions proposed by the Direction des systèmes d'information

"The action plan of the responsible body will include the functionalities and indicators deemed relevant for the follow-up of citizens' requests. (Planned completion: July 2009)

The action plan of the responsible body will include the development of these functionalities, as well as the establishment of other performance indicators." (Planned completion: July 2009)

Actions proposed by the Service des communications et des relations avec les citoyens

"A new report was created in the GDC-GDT application and integrated into the dashboard of the accountability report for the follow-up of work orders, notably in terms of processing times.

New indicators will be developed and integrated into the dashboard to check the reliability of the information contained in it. They will deal particularly with citizens' requests that have been reactivated or relaunched in the GDC-GDT system, which will enable identification of the business

units that speed up the closing of their citizens' requests in order to post good results."
(Completed)

CONTAMINATED SOIL MANAGEMENT

CONTEXT

One of the characteristics of the soils comprising the territory of the island of Montréal is that several sites have historically been contaminated following intense and ongoing commercial and industrial activities (e.g., foundries, cement plants). This contamination is much greater for sites located along watercourses and railways. Several other places, after having been used as quarries, were used as dumps, then finally covered. Such situations, combined with the fact that rehabilitating land is a costly process, sometimes compromise the reuse of sites and halts reconstruction. As a result, soil contamination implies both environmental and financial challenges for the City of Montréal (the City) and its economic and urban development.

From a regulatory point of view, the City of Montréal has no jurisdiction regarding soil contamination. This sector essentially comes under the jurisdiction of the Ministère du Développement durable, de l'Environnement et des Parcs (MDDEP) which, via the provisions of the *Environment Quality Act* (EQA, division IV.2.1, chapter 1) and the related by-laws, policies and guides, stipulates the rules to follow in terms of the protection and rehabilitation of contaminated sites. All of the various municipal government stakeholders must, in performing their duties, act responsibly and in compliance with applicable regulation.

METHODOLOGY AND SCOPE

Our audit consisted in ensuring that the City of Montréal introduced measures enabling it to determine the status of contaminated soils on its territory in order to guide actions promoting the rehabilitation and, where applicable, the safe reuse of municipal land, as well as to report on it and encourage decontamination of private land.

Our audit examination was based primarily on 2007 and 2008 and focuses on the following business units:

- Service des infrastructures, transport et environnement (SITE) and more specifically:
 - the Direction de l'environnement et du développement durable (Division de la planification et du suivi environnemental),

- the Direction de la réalisation des travaux (Division expertise et soutien technique);
- Service de la mise en valeur du territoire et du patrimoine (SMVTP) and more specifically:
 - the Direction stratégies et transactions immobilières (Division transactions immobilières),
 - the Direction de l'habitation (Division du développement résidentiel),
 - the Direction du développement économique et urbain (Division de l'urbanisme and Division des affaires économiques et institutionnelles);
- Service des affaires corporatives (Direction du greffe—Division de la gestion des documents et des archives—Accès à l'information); and
- The Ville-Marie, Rivière-des-Prairies–Pointe-aux-Trembles, Saint-Laurent and Saint-Léonard boroughs (various departments involved).

OBSERVATIONS AND RECOMMENDATIONS

Legal framework

In June 1998, the *Soil Protection and Rehabilitation of Contaminated Sites Policy* (the Policy) replaced the *Contaminated Site Rehabilitation Policy*, which had been in effect since 1988. Its proposals include intervention strategies to ensure the gradual rehabilitation of contaminated sites, as well as various ways to assess, manage and even prevent soil and groundwater contamination on a site.

In May 2002, a few years after this policy was published, the National Assembly adopted Bill 72 (2002, chapter 11), entitled *An Act to amend the Environment Quality Act and other legislative provisions with regard to land protection and rehabilitation*, thus amending division IV.2.1 of the EQA (R.S.Q., chapter Q-2) and giving force of law to several elements of the Policy. This bill, which came into effect on March 1, 2003, establishes new rules aimed at protecting sites as well as rehabilitating them in case of contamination. It gives the minister powers of order, namely in terms of requiring the characterization of sites and their rehabilitation. It recognizes as a possible rehabilitation method the maintenance of contaminants on a site, provided that certain mitigation measures are taken to protect the environment and users of the site. It provides that publication measures are required in order to inform third parties of restrictions applicable to the future use of the site. Moreover, it requires businesses belonging to designated industrial or commercial sectors to fulfill certain obligations when they permanently cease their activities, in order to determine and correct any potential contamination of the sites where they are established. It also submits the

change in use of a contaminated site following the performance of certain industrial or commercial activities on it, to the introduction of rehabilitation and publication measures. It also requires that municipalities create a list of contaminated sites located on their territory. No construction or subdivision permit compiled on the list is to be granted for a site without a certificate confirming that the said site is compatible with the new uses for which it is intended. Last, it introduces new regulatory powers in terms of monitoring and follow-up, processing, recovery, improvement and elimination of contaminated soils.

Moreover, the *Land Protection and Rehabilitation Regulation*, which came into effect on March 27, 2003, is meant to ensure increased protection of sites and their rehabilitation in case of contamination, by applying several dispositions of the new division IV.2.1 of the EQA (articles 31.42 to 31.69). Namely it sets the limit values (mg of contaminant/kg of soil) for a range of contaminants, determines the target industrial or commercial activity categories and establishes, for some of them, the cases, conditions and timelines in which a quality control of site groundwater must be conducted. It facilitates the application of the minister's power of order to require the characterization of sites and their rehabilitation if necessary. Moreover, it helps to better understand and correct any contamination resulting from industrial or commercial activities when companies operating in a target sector permanently cease their activities.

The *Regulation respecting the burial of contaminated soils*, in effect since July 11, 2001, aims to provide a framework for the development, operation, closure and postclosure follow-up of contaminated soil burial sites. Furthermore, it prohibits burial without the prior treatment of heavily contaminated soils.

Last, the *Regulation respecting contaminated soil storage and contaminated soil transfer stations*, in effect since February 15, 2007, aims to improve management of excavated contaminated soil. More specifically, it determines certain obligations for those in charge of contaminated soil excavation and sets conditions for operating a contaminated soil transfer and temporary storage centre elsewhere than on the site of origin. The regulation is also aimed at contributing to the sanitizing and safe reuse of soil, given that contaminated soils accepted at a transfer centre must be sent to a treatment facility for decontamination and that soils stored in temporary storage facilities must be reclaimed.

As we can see, the legal framework related to contaminated soil management imposes strict rules for contaminated land owners and municipalities. As the closest administrative entity to citizens,

and also as an owner or guardian of contaminated land, the City of Montréal has legal obligations and must act responsibly by ensuring that municipal land is not detrimental to third parties and does not degrade the quality of the environment.

Thus, in order to comply with the legal and regulatory provisions in effect, the City could be required to take certain actions regarding the land it owns, namely when:

- contaminants on one of its sites are likely to migrate to the land of a neighbouring owner; and
- there is a change in use or a permanent cessation of activities, on a contaminated site, of an industrial or commercial activity designated “at risk” under Schedule III of the *Land Protection and Rehabilitation Regulation*.

The City could therefore be obligated to:

- order the characterization of a site and, if required, rehabilitate it;
- send the minister a copy of the characterization study certified by a specialist appointed by the MDDEP;
- inform the owner of bordering land of the existence of contamination along the common boundaries of their property and the property of the City of Montréal;
- enter a contamination notice in the land register when a characterization study reveals that the soil contamination exceeds the legal allowable limits;
- submit a rehabilitation plan to the minister;
- obtain certification from a specialist that the decontamination work complies with the rehabilitation plan; and
- enter a decontamination notice in the land register if the rehabilitation work has allowed for compliance with the legal limit values based on the use of the land or a notice of restricted usage, as necessary.

Furthermore, the City of Montréal is required to list contaminated sites located on its territory on the basis of contamination, decontamination and/or usage restriction notices issued by the MDDEP (article 31.68 of the EQA). No subdivision or construction permit must be granted for a site registered on this list without certification by a specialist that the said site is compatible with the new uses for which it is intended. The MDDEP keeps an updated list of specialists who are authorized to provide such certification.

Also, when contaminated soil characterization, excavation and/or elimination work is carried out on a site belonging to the City of Montréal, the applicable requirements of the *Land Protection and Rehabilitation Regulation*, *Regulation respecting the burial of contaminated soils* and the *Soil storage and contaminated soil transfer stations* must be adhered to.

Sharing roles and responsibilities and compliance of the City of Montréal with its legal obligations

Since contaminated soil management has repercussions both in terms of the environment and economic development, many of the City's business units are led to intervene and collaborate. The sharing of roles and responsibilities must therefore be clearly defined and known by all to ensure integrated contaminated soil management within the municipal machinery. Furthermore, since contaminated soil management is subject to a fairly strict regulatory framework, it is important that these various municipal stakeholders (SITE, SMVTP, Service des affaires corporatives and boroughs) are apprised of the legal obligations with which the City is required to comply.

Overall, our audit revealed that the SMVTP, SITE and Service des affaires corporatives authorities consulted have a good understanding of their roles and responsibilities as well as those of other stakeholders. Moreover, these same individuals have a good understanding of the laws and regulations applicable to contaminated site management.

The Direction de l'habitation of the SMVTP uses the services of an urban development consultant specialized in contaminated soil management. As part of the various SMVTP projects or transactions, the SMVTP can be called on to order and comment on required environmental studies and ensure that legal obligations regarding contaminated soil management are respected, among other tasks.

The Direction du greffe compiled the list of contaminated sites, in compliance with article 31.68 of the EQA, on the basis of the contamination, decontamination and/or usage restriction notices issued by the MDDEP. This information is currently available for every borough through the City of Montréal Web portal.

We also noted that the SITE, as an expert in the matter, had taken the necessary measures to inform the various municipal stakeholders of the actions to take in order to comply with the new legal provisions included in Bill 72. In fact, a document entitled *Lignes directrices à l'intention des services municipaux de la Ville de Montréal et de ses arrondissements* was adopted by the

executive committee of the City and distributed in 2003. This document, which is available on the City of Montréal's Web portal, is intended to establish the way in which affected municipal stakeholders must act to enforce certain provisions of division IV.2.1 of chapter 1 of the EQA (Bill 72). For example, it includes the instructions on the procedure to follow when issuing construction and subdivision permits, or in the acquisition, transfer or reclamation of contaminated or potentially contaminated sites. These guidelines have not been updated since 2003; however, during this time, there have not been any major amendments to the EQA. The changes that were made mainly involve the organizational structure of the City (e.g., demerger in 2006 and recent restructuring of the SITE in 2007, including the divisive reorganization of the former Division des laboratoires). For these aspects, the document does not adequately reflect the current situation. As a result, in order to ensure the reliability of these guidelines, we believe that they should be updated as part of a periodic review process.

As for the boroughs visited, knowledge of the roles and responsibilities of various municipal stakeholders, as well as knowledge of the legal provisions inherent to contaminated soil management seemed to be more problematic.

First, several individuals interviewed from the boroughs visited did not know all of the legal obligations related to their tasks. For example, in terms of issuing construction and subdivision permits, certain individuals interviewed mentioned that they:

- did not consult the list of contaminated sites compiled by the Direction du greffe containing the contamination, decontamination and/or usage restriction notices from the MDDEP before issuing a construction or subdivision permit;
- did not know about the obligation to obtain certification, by a specialist authorized by the MDDEP, of the project's compatibility with the provisions of the rehabilitation plan in the case of a site included on the list of contaminated sites compiled by the Direction du greffe; and
- were not aware of the existence of guidelines prepared by the SITE in 2003.

In our opinion, there is consequently a risk that construction or subdivision permits are being issued to contaminated sites in the list compiled by the Direction du greffe that do not meet the requirements of the EQA.

Moreover, certain stakeholders from the boroughs who order environmental studies (phase I, phase II) from specialized firms on City of Montréal sites told us that they do not have a proper

understanding of their legal obligations in the matter. As a result, they claim to rely solely on the specialized firms and contractors that they hire when it comes to their legal obligations. In our opinion, there is a risk that stakeholders from the boroughs may not be able to make an informed decision when validating environmental studies produced by the firms, may neglect to provide certain pertinent information for conducting the study requested (e.g., the site was the subject of an activity designated in Schedule III of the *Land Protection and Rehabilitation Regulation*, which requires a characterization study certified by an authorized specialist) or may not be able to prevent non-compliance with a regulatory requirement when decontamination work is performed (e.g., storing of excavated contaminated soils on an uncontaminated site).

Furthermore, we also noted that several individuals interviewed from the boroughs visited did not have proper knowledge of the advisory services and technical support offered by the SITE's Division de la planification et du suivi environnemental. In our opinion, use of the SITE's services could at times be indispensable to ensure the compliance of actions to take and decisions to make (e.g., the need to obtain a more detailed characterization study).

Last, it should also be mentioned that the City of Montréal could ultimately be held responsible for the failure to respect a legislated or regulated requirement. Moreover, good knowledge of the legal obligations in force as well as tools and support resources offered in contaminated soil management would contribute to reducing the risk of non-compliance with applicable laws and regulations.

Recommendations

To ensure that the City complies with these legal obligations in contaminated soil management, we recommend that the SITE's Division de la planification et du suivi environnemental:

- 1. update the document entitled *Lignes directrices à l'intention des services municipaux de la Ville de Montréal et de ses arrondissements*;**
- 2. include this action in a review process whenever any change (regulatory or other) has an effect on the directives given in this document;**
- 3. launch an awareness-raising campaign for various business units involved in contaminated soil management, in order to:**
 - 3.1. inform the various stakeholders of the legal obligations related to contaminated soil management in carrying out their duties,**

- 3.2. present the various documents and tools that are at their disposal (guidelines, Direction du greffe's list of contaminated sites, etc.), and
- 3.3. further promote the advisory services that it can offer to provide technical and legal support in contaminated soil management to the various stakeholders involved;
4. plan to offer regular training and inform all business units involved of this training so that all new employees who have to ensure compliance with the laws and regulations regarding contaminated soil management in performing their duties can be enrolled in it.

Actions proposed by the Service des infrastructures, transport et environnement

1. *"The document will be reviewed in order to update it in line with the new structure of the City and new by-laws, where applicable. The content will be reviewed to ensure that it is complete.*

The document will be validated by the interdepartmental committee formed during the document development in 2003 for the update. It will then be sent for approval by the authorities. (Planned completion: December 2009)

2. *As part of a review process to take into account changes to the regulatory framework and the City structure, the document will be amended as required. An audit of regulatory amendments will be performed annually. (Planned completion: December 2010)*

- 3.1. *A letter will be drafted first to inform the boroughs and departments likely to be affected by contaminated soil management of their legal obligations when available information is sent. (Planned completion: July 2009)*

- 3.2. *A user guide and a job aid on legal obligations, as well as a list of available documents, will be prepared to help stakeholders in their contaminated soil management. (Planned completion: December 2009)*

These documents will also be presented during the awareness-raising campaign. (Planned completion: November 2010)

3.3. *Using the letter written to inform the boroughs and the departments likely to be affected by contaminated soil management, the advisory services and technical support offered will be underscored. (Planned completion: July 2009)*

As part of the awareness-raising campaign, the departments of the soil management team will be promoted. (Planned completion: November 2010)

4. *Following the awareness-raising campaign, refresher training on legal obligations and available tools will be prepared. This training will be given annually and publicized through an internal memo distributed via Intranet.” (Planned completion: December 2010)*

Knowledge of site contamination

In a context where the municipal administration intends, in terms of economic development, to accentuate its efforts to reclaim vacant land and promote the revitalization of certain favourable sectors, the creation and distribution of an inventory of contaminated sites, including the knowledge of their level of contamination, represents an indispensable decision-making tool.

Based on information collected from individuals met, we have noted that efforts have been made in the past several years to equip the City with such a tool. In fact, in order to establish the contamination potential of sites for which no environmental study was available, a card entitled *Incidence de contamination des sols* (incidence card) was developed in 2003. This card establishes the soil contamination potential using risk levels (low, moderate or high). According to the information obtained, this assessment results from an interpretation of available data (e.g., old plans, historical activities, planned uses) that reflect the probability of finding contaminated soils exceeding usage criteria in a given area. This card covers the entire area of the island of Montréal (municipal and private sites).

An inventory of contaminated sites was also developed. It includes current available information on the actual contamination of soils from environmental studies (phase I, phase II, risk analysis, supervision of decontamination work) conducted for about 2,000 sites primarily located on the territory of the nine boroughs from the former City of Montréal.

Last, in compliance with article 31.68 of the EQA, the Direction du greffe, under the Service des affaires corporatives, compiled its own list, which it updates regularly, of contaminated sites on the

territory of the City of Montréal based on notices entered in the land register, namely contamination, decontamination and/or usage restriction notices issued by the MDDEP. The information is currently available for every borough through the City of Montréal Web portal. The following data are included: owner's name, civic address of the site (if accessible), cadastral designation of the site, nature of the notice entered in the land register and composition of the file available (e.g., summary of the characterization study, presentation of work to be completed as part of a rehabilitation plan, statement of usage restrictions for the site). According to information obtained from the manager in charge, this list is continually updated as soon as notices are received from the MDDEP.

These three sources of information (incidence card, inventory of contaminated sites and MDDEP notices) have been integrated into a database.

It contains the following information:

- Location of sites;
- Use (activities designated by the *Land Protection and Rehabilitation Regulation*, if applicable);
- Level of potential contamination (low, moderate, high);
- Nature of contaminants and level of contamination, when known;
- Notice of contamination, decontamination and/or restriction, if applicable;
- Estimate of volumes for decontamination, if applicable;
- Volumes eliminated off site in the case where decontamination was performed; and
- Information on the regional geology and hydrogeology.

The SITE's Division de la planification et du suivi environnemental is the administrative unit in charge of compiling and updating the contaminated site database.

Distribution and accessibility of the contaminated site database

The contaminated site database is currently only accessible to personnel of the SITE's Division de la planification et du suivi environnemental. The information it contains would be very useful to boroughs and certain divisions of the SITE and SMVTP in conducting their development, planning, sale and/or acquisition projects (e.g., the SITE's Division expertise et soutien technique, and the SMVTP's Division transactions immobilières and Division du développement résidentiel). In fact, it

would enable these divisions to better plan the work required in terms of aspects related to soil contamination (e.g., more specific and realistic estimates, better defined characterization program).

Currently, the individuals in the various units of the City who would like to have this information must submit a request to an engineer of the SITE's Division de la planification et du suivi environnemental. These searches in the contaminated site database contribute to monopolizing the time of the limited resources that work in this division.

Moreover, several people contacted within the boroughs visited told us that they did not know of the existence of this database. Consequently, because they did not know the soil contamination potential of the site involved, they conducted environmental studies (e.g., phase I, phase II), while this type of study may have already been performed, or they requested studies that are too in-depth when a partial or more specific study may have been sufficient.

The managers that we met with from the SITE's Division de la planification et du suivi environnemental are aware of the shortcomings of this situation. This is why, at the beginning of 2007, they began work to make all the information contained in the contaminated site database available to all through the urban navigator. This work is being carried out in partnership with the personnel of the SITE's Division de la géomatique and the Direction générale's Direction des systèmes d'information (DSI).

Recommendations

We recommend that the SITE's Division de la planification et du suivi environnemental:

- 1. take the necessary measures to:**
 - 1.1. intensify efforts already put forth to digitize the contaminated site database through the urban navigator and to establish a completion schedule in collaboration with the SITE's Division de la géomatique and the DSI; and**
 - 1.2. plan, once the information is online, to communicate all the pertinent information related to the use of this new tool to the various business units involved;**
- 2. in the meantime, inform all business units involved, using the appropriate communication method, of the existence of the contaminated soil inventory and the impending digitization of the contaminated site database through the urban navigator.**

Actions proposed by the Service des infrastructures, transport et environnement

1.1. "A meeting with the Division de la géomatique was held on March 16, 2009, and ramping up of the process to go live will be undertaken as soon as possible. **(Planned completion: May 2009)**

1.2. A user's guide for the 'soils' application will be drafted. **(Planned completion: December 2009)**

2. A tour of boroughs had already been done in 2007 to inform stakeholders of the project to digitize available information. A portion of the potential users was therefore determined. Additional steps will be taken through telephone contact to inform units that are likely to use the database. **(Planned completion: June 2009)**

*Through the letter planned in one of the preceding recommendations, users will be notified of the existence of the contaminated soil inventory as well as the actions of the Division PSE (environmental planning and follow-up) that will follow (digitization of data on the urban navigator, user's guide, presentation to stakeholders)." **(Planned completion: July 2009)***

Compiling information to populate and maintain the contaminated site database

Various sources information are currently used by the resources of the SITE's Division de la planification et du suivi environnemental to populate and maintain the contaminated site database.

The environmental studies (phase I, phase II, risk analyses) conducted within the Division expertise et soutien technique (the SITE's Direction de la réalisation des travaux), as well as those conducted within the Division du développement résidentiel (the SMVTP's Direction de l'habitation) are sent to the Division de la planification et du suivi environnemental. Moreover, the contamination, decontamination and/or usage restriction notices entered in the land register and compiled in the Direction du greffe's list of contaminated sites obtained from the MDDEP are, upon receipt, systematically forwarded to the Division de la planification et du suivi environnemental to be added to the contaminated site database.

Although in certain cases the information is systematically forwarded to the Division de la planification et du suivi environnemental, it can sometimes take a certain amount of time before the

information collected is sent. For example, the individuals met at the SMVTP's Division du développement résidentiel informed us that it has been at least a year since they last sent information to the SITE.

Our audit also revealed that certain boroughs visited have a budget to conduct environmental studies. According to the information obtained from individuals interviewed from the boroughs we examined, some of them send studies to the SITE regularly. However, several individuals in the boroughs admitted to having environmental studies conducted on their territory that were never forwarded to the SITE.

Furthermore, Bill 72, entitled *An Act to amend the Environment Quality Act and other legislative provisions with regard to land protection and rehabilitation*, requires, in certain cases, that land owners inform the owner of a bordering piece of land in writing when soil contamination has been observed on the edge of the property (article 31.52 of the EQA). The SITE's Division de la planification et du suivi environnemental receives these letters of notification of potential contamination from various sources (e.g., Service des affaires corporatives's Direction du greffe, borough clerk). However, according to information obtained from the individuals we met with from the Division de la planification et du suivi environnemental, these notification letters are not currently included in the contaminated site database. Furthermore, they are not filed in any way that allows for quick reference if needed. In our opinion, adding this information to the contaminated site database would help improve its content and increase the level of knowledge about potentially contaminated soil on City territory. Also, if this information could be quickly reported to the various stakeholders involved, this could help in negotiating the sharing of costs incurred for decontamination when work is carried out on a municipal site bordering a contaminated private property for which the owner issued a notice of potential contamination.

The managers we met with from the Division de la planification et du suivi environnemental also told us that certain information from other SITE divisions could help improve the contaminated site database. This includes the environmental studies conducted by specialized firms during decontamination work on private sites and obtained by the Division du contrôle des rejets as part of a permit application for discharge into a municipal sewer. These studies are currently not forwarded to the Division de la planification et du suivi environnemental and, as a result, are not added to the contaminated site database. This information would help increase the City of Montréal's knowledge about the contamination of private sites on its territory.

We therefore conclude that the various City business units involved should be made more aware of the importance of forwarding all information that can contribute to improving the contaminated site database. As a result, we are of the opinion that a formal process on the method and frequency of sending this information from the various business units involved should be defined and distributed to all. In this respect, our audit revealed that such measures had not been implemented.

Obtaining all the data available in each City of Montréal business unit that are currently not centralized in the SITE would make it possible to populate the contaminated site database and thus increase knowledge on contaminated sites.

Recommendations

- 1. With a view to increasing knowledge on soil contamination, and also to facilitate the updating of the contaminated site database, we recommend that the SITE's Division de la planification et du suivi environnemental:**
 - 1.1. determine all sources of information that could potentially contribute to the improvement of the contaminated site database;**
 - 1.2. take the necessary measures to inform all stakeholders involved in contaminated soil management within the various business units of the City about the importance of communicating the information they have related to soil contamination on their territory;**
 - 1.3. establish and distribute to all City of Montréal business units involved in contaminated soil management a formal process relating to the method and frequency of sending information, as well as the type of information to be sent; and**
 - 1.4. add the information sent to the contaminated site database, including information appearing in letters notifying of potential contamination from owners of private sites bordering those of the City of Montréal.**

Actions proposed by the Service des infrastructures, transport et environnement

- 1.1. "Each borough and department likely to conduct characterization studies or site decontamination reports will be questioned. (Planned completion: June 2009)*
- 1.2. A note will be sent to all departments identified and boroughs involved advising them of the role of the soils team's role of keeping the database accessible and up-to-date, as well as the*

resulting need to obtain environmental data that they acquire. (Planned completion: September 2009)

1.3. A process for sending data received from stakeholders will be developed. This process will specify the data format, as well as the method and frequency with which to send this data. (Planned completion: August 2009)

1.4. The data submitted will be added to the database by the technical agent planned in one of the preceding recommendations as soon as it is received. This person will also add to the database notices to neighbours already received and those to come.” (Planned completion: December 2010 if the budget is granted)

Priorities of the municipal administration in contaminated soil management

Soil contamination is a major issue for the City of Montréal both economically and financially. The high costs of decontamination slow down construction and lead developers to reclaim sites that are only slightly contaminated or located outside of the City of Montréal.

Our audit revealed that the municipal administration has developed strategic plans that deal with contaminated soil management. Namely, the 2005–2010 Réussir@Montréal economic development strategic plan, the urban development plan adopted in 2004 and phase I (2005–2006) of Montréal's first sustainable development strategic plan, spread over the period from 2005 to 2009, state the concerns and priorities of the administration in terms of contaminated soils.

Financial assistance programs introduced and other measures to promote the rehabilitation of contaminated sites

We recognize the importance given to the introduction of financial assistance programs to encourage owners and developers to rehabilitate contaminated sites due to the fact that this priority is included in the strategic plans mentioned previously.

During the interviews conducted, two financial assistance programs for the characterization and rehabilitation of contaminated sites were presented to us: ClimatSol and Pr@m—Revitalisation (Réussir@Montréal).

The ClimatSol program is a follow-up to the Révi-Sol program (which ran from 1998 to 2005). It is a financial assistance program introduced by the MDDEP in 2007 that provides for an investment of \$50 million over three years. This budget allowance was shared among the City of Montréal (\$25 million), Québec City (\$5 million) and the other Québec municipalities (\$20 million). A memorandum of understanding was signed between the MDDEP and the City of Montréal so that the latter manages the share of the budget allowance allocated to it (i.e. \$25 million out of \$50 million). The contaminated sites for which rehabilitation work is eligible may be the property of municipal or private applicants. The program must end March 31, 2010.

For the share managed by the City of Montréal, the designated representative for the program is the SMVTP. The Division de la planification et du suivi environnemental of the SITE is responsible for the administration of the technical side of the program (eligibility analysis of projects submitted and validation of rehabilitation costs incurred in preparation for payment of the subsidy).

The program Pr@m—Revitalisation (Réussir@Montréal) offers financial assistance intended for owners of buildings where industrial or commercial activities take place that do not respect the zoning in effect or cause nuisances, but whose use is maintained by an acquired right. The objectives of the program are the improvement of the quality of the environment and residents' life, the rehabilitation of contaminated land on selected sites and the construction of a new housing or mixed-use (residential and commercial) development. This program was officially launched at the beginning of 2008. It provides a budget allowance of \$10 million over three years, with 33% of financing provided by the boroughs and 67% by the SMVTP. Building demolition or alteration work is eligible, as well as work related to the environmental management of the site (e.g., characterization and environmental risk studies, site rehabilitation, professional environmental monitoring) and archeological excavations.

The information obtained from individuals interviewed within the SITE, the SMVTP and boroughs confirm that they are well aware of the existence of the ClimatSol program. Their development project included a primary assessment of the possibility of benefiting from the financial assistance offered by this program. Several individuals also mentioned having ongoing projects under the ClimatSol program.

As for the Pr@m—Revitalisation program, the information gathered from SMVTP managers shows that the program was publicized on the City intranet site and through information distributed in Accès Montréal offices. Furthermore, information sessions were organized in SMVTP offices. In

spite of everything, we observed that stakeholders interviewed from the boroughs visited did not know about the Pr@m—Revitalisation program offered by the City of Montréal. Moreover, no project was mentioned to us that was part of this program.

It bears mentioning that the resources of the SITE's Division de la planification et du suivi environnemental work together with those of the SMVTP (Division des affaires économiques et institutionnelles) in order to assess the efficacy of existing financial assistance programs for the characterization and rehabilitation of contaminated sites. To this effect, a preliminary review illustrating the progress of ClimatSol and Pr@m—Revitalisation programs was conducted in November 2008. Examination of this review as well as information obtained from individuals interviewed enabled us to note the following.

Since the launch of the ClimatSol program in May 2007, 13 grant applications have been accepted, for financial assistance of \$3.9 million out of \$25 million (16%) in available credit. The applications made and accepted primarily involve sites belonging to the City of Montréal, while the commercial and industrial (private) sectors are practically non-existent up to now.

Facts show that the ClimatSol program has received criticism from various municipal stakeholders interviewed. It imposes conditions in terms of sustainable development that are considered too restrictive and very costly when accounting for the fact that the financial assistance allowed per project cannot exceed \$1 million. For example, for private applicants, the investment project on the rehabilitated site must meet specific requirements in terms of the building's green technologies, such as those of the Novoclimat program, Hydro-Québec energy efficiency project or the LEED certification program. Also, for all applicants, whether municipal or private, the project must absolutely include the creation or maintenance of revegetation areas.

In the opinion of individuals interviewed from the SMVTP, it seems that the ClimatSol program is not necessarily adapted to Montréal's reality. For example, the Novoclimat clause could increase the price of properties in low-income neighbourhoods.

As for the Pr@m—Revitalisation program, the review conducted discusses the fact that only one project has been accepted up to now. It should be reminded that 33% of this program's financing is provided by boroughs. As a result, the managers interviewed from the SMVTP feel that the lack of

interest shown in this program could be explained at least partially by the limited resources of the boroughs.

According to information obtained from managers interviewed in the SMVTP, a new analysis of these two existing programs is planned for early 2009. Specifically relevant to the ClimatSol program, there are also plans, under the memorandum of understanding, for the SMVTP (Division des affaires économiques et institutionnelles) to prepare and submit to the MDDEP a formal review of its conclusions on the program's efficacy in March 2009. This review will therefore take into account the assessment of new requests made by the December 15, 2008, deadline. Following this new assessment, the managers interviewed told us that they plan to suggest ways to improve this program, wherever possible, in order to discuss these with the ministry.

Besides these two programs, other financial assistance measures are also currently under study to encourage the characterization and rehabilitation of contaminated sites on Montréal's territory. According to information gathered from the managers we met with, research is being conducted jointly by the SITE's Division de la planification et du suivi environnemental and the SMVTP's Division des affaires économiques et institutionnelles to establish financial assistance measures that are better adapted to Montréal's reality.

Recommendations

- 1. We recommend that the SMVTP's Division des affaires économiques et institutionnelles:**
 - 1.1. launch a new promotional campaign for the Pr@m—Revitalisation program so that all business units that are likely to submit projects eligible for this program are aware of it; and**
 - 1.2. make the necessary presentations to the City or designated ministry once the assessment findings on the efficacy of existing financial assistance programs (Pr@m—Revitalisation, ClimatSol) are obtained and joint research on the other motivational financial assistance measures is completed, in order to promote the characterization and rehabilitation of contaminated sites.**

Actions proposed by the Service de la mise en valeur du territoire et du patrimoine

1.1. *“This recommendation will effectively be implemented under a communication strategy surrounding the Pr@m—Revitalisation and ClimatSol programs, which will be deployed during the first quarter of 2009. New brochures will be sent to decision makers in the business units involved, as well as to municipal elected officials who want to improve the living environment and contribute to the development of their community. (Planned completion: April 2009)*

1.2. *In terms of assessing programs, the team in charge is already collecting pertinent information and meeting with several internal and external participants in order to ensure that the programs are adequate or, where applicable, that amendments are proposed. In the specific case of the ClimatSol program, the person in charge of assessing the program at the MDDEP was invited to contribute to the assessment of the regulatory framework. Last, in the Service de la mise en valeur du territoire et du patrimoine, representatives from the departments involved are called on to make sure that the programs are organized in such a way as to best meet the needs and expectations of target clientele. In all cases, the cooperation of Service des infrastructures, transport et environnement colleagues is ensured.” (Planned completion: June 2009)*

Follow-up on all priorities stated and accountability

Following up on the objectives and priorities of the municipal administration, as well as the implementation methods stated in the various strategic plans in terms of contaminated soil management, is without a doubt an essential process in ensuring that these are achieved. Subsequently, management reports (e.g., reviews) must be produced in order to assess the progress of planned actions and, ultimately, guide decision making in terms of adjustments required.

During the interviews conducted, the various SITE and SMVTP stakeholders we met with told us about ongoing or completed activities related to contaminated soil management. Here is a brief summary of these activities:

- Creation of a contaminated site database by the SITE's Division de la planification et du suivi environnemental;
- Introduction of the ClimatSol program, developed by the MDDEP and managed in partnership with the City of Montréal;

- Development and introduction of the Pr@m—Revitalisation program by the SMVTP;
- Presentations planned for the MDDEP to introduce to them the assessment of the ClimatSol program and suggest improvements (the SMVTP's Division des affaires économiques et institutionnelles together with the Division de la planification et du suivi environnemental); and
- Assessment of other financial assistance measures to promote the characterization and rehabilitation of contaminated sites.

Other actions were also mentioned to us, namely:

- The forming of a working committee comprising representatives of the SITE, SMVTP and boroughs with a view to determining solutions to promote the risk analysis approach in contaminated soil management. Various external agencies were also met with to discuss the issue, including the Institut de développement urbain and Conseil patronal de l'environnement du Québec; and
- Research on secondary and physicochemical treatment technologies for contaminated soils in partnership with external agencies.

Overall, we see that several measures have been undertaken, if not completed, in order to meet the priorities stated by the municipal administration and follow up on the various implementation methods that appear in the various strategic plans. In the opinion of managers interviewed, the objectives in these plans are the essential components when it comes to guiding the implementation of actions to take and calling on the co-operation of various stakeholders involved, when required.

Moreover, in order to report on the progress of the administration's priorities, we have noted, both for the urban development plan and the strategic economic development plan, that reviews are produced and submitted annually for the purpose of a public study.

The examination of reviews produced to date, in terms of aspects related to the rehabilitation of contaminated soils, revealed, however, that these only deal with the primary means implemented as part of their respective strategic plan.

According to information obtained from the managers contacted, apart from the reviews we just mentioned, there is no other mechanism aimed at identifying the progress of each implementation method included in the strategic plans related to the rehabilitation of contaminated soils. Moreover,

the staff working on these priorities has no schedule or instructions for determining the priority to assign to one action over another.

In summary, we are aware that the implementation of actions planned in the various strategic plans of the City requires, in many cases, close collaboration between various municipal stakeholders and external agencies. Thus, our audit effectively enabled us to conclude that each and every stakeholder, both from the SITE and the SMVTP, contributed to achieving the objectives of the municipal administration. Nevertheless, for the sake of transparency and sound management of activities, and especially to ensure that the amount of progress, given the resources dedicated, can be regularly assessed, we believe that it would be pertinent that a documented accountability report be produced for each of the actions provided for in the strategic plans.

As a final analysis, we also consulted the business plans of the SITE's Direction de l'environnement et du développement durable for 2007, 2008 and 2009 with the intention of finding some sort of objective in relation to contaminated soil management. We noted that the objectives stated in these business plans are primarily related to the sustainable development strategic plan and waste management master plan. No objective regarding contaminated soil management is mentioned. These objectives could have been structured around the need to improve the content of the contaminated site inventory, or stimulate the progress of the project aimed at making the contaminated soils inventory accessible to all through the urban navigator. According to the information obtained from managers interviewed from the Division de la planification et du suivi environnemental, although significant efforts are dedicated to improving contaminated soil management, it appears that no specific objective has been formally developed in this area. Considering the resources dedicated to carrying out activities in this area of activity, it is legitimate to believe that objectives formulated in measurable terms must be defined and must rely mainly on the directions stipulated in the various strategic plans adopted by the municipal administration. Following this, regular accountability reporting must be conducted for each of these objectives.

Recommendations

- 1. In order to follow up on efforts made, but also to better guide the use of resources assigned to contaminated soil management, we recommend that the SITE's Direction de l'environnement et du développement durable:**
 - 1.1. establish objectives formulated in measurable terms; and**
 - 1.2. implement mechanisms to regularly report on their progress.**

2. Also, with a view to ensuring better follow-up of the means implemented to respect the priorities of the municipal administration and to provide it with an overall vision of contaminated soil management, we recommend that SMVTP management implement mechanisms enabling it to collect, from all the stakeholders involved, the progress of actions carried out as part of the urban development plan and economic development strategic plan, and to compile them in the annual reviews.

Actions proposed by the Service des infrastructures, transport et environnement

- 1.1. *“In the 2010 budget year, contaminated soil objectives will be added. (Planned completion: September 2009)*
- 1.2. *A semi-annual meeting will be held with the contaminated soil section engineer. A report will be produced for management in order to report on objectives met.” (Planned completion: December 2009)*

Actions proposed by the Service de la mise en valeur du territoire et du patrimoine

2. *“Starting in 2009, the review of the introduction of the urban development plan will state the actions taken as part of the plan, including the one aimed at rehabilitating contaminated sites, with the financial assistance of governments.*

The same goes for the review of the introduction of the economic development strategy Réussir@Montréal, namely in terms of the actions to reclaim vacant sites and industrial zones and develop industrial areas.” (Planned completion: June 2009)

FOLLOW-UP ON THE REVIEW OF ACTIVITIES, SERVICES, OPERATIONS AND PROGRAMS (RASOP)

BACKGROUND

In the spring of 2006, the City's financial position showed an anticipated \$400 million deficit for 2007. In response to this projection, the Direction générale undertook an exercise with the municipal administration to consolidate decisions regarding the 2007 budget. Consequently, the administration initiated a review of activities, services, operations and programs (RASOP) with a view to seeking out short-, medium- and long-term solutions to the strategic and financial issues facing the City.

The goals of this initiative were to refocus the administrative apparatus around the City's priorities and mission, increase organizational performance and secure fiscal flexibility.

As part of the RASOP exercise carried out by all administrative units in summer 2006, nearly 2,300 activities were examined (1,700 in the boroughs and 600 in the central departments) and 681 recommendations were issued (313 for the boroughs, 282 for the central departments and 86 in other areas, including the transfer of activities to the Gouvernement du Québec).

According to the municipal administration, the selected proposals were to generate roughly \$300 million in fiscal flexibility after three years (\$100 million on a recurring basis in 2007, 2008 and 2009). The administration maintained that these savings could be achieved through a series of measures, including the reduction in the number of positions through attrition (1,000 positions, including 250 management-level positions), the withdrawal from several activities overseen by the City, the considerable tightening up of management procedures and select negotiations with the Gouvernement du Québec. In this context, on July 5, 2006, the executive committee declared a hiring freeze in both the boroughs and the central departments while an accurate assessment of the City's economic situation was drawn up.

METHODOLOGY AND SCOPE

Our audit involved examining to what extent the savings and income-generating measures established as a result of the review of activities, services, operations and programs (RASOP) had been implemented. In more specific terms, we examined the approval process for the selected

measures, their integration into the budget process, their follow-up and the corresponding accountability.

Our audit dealt mainly with the savings and income-generating measures planned for 2007 and early 2008 as well as the hiring freeze and the reduction target of 1,000 positions in 2007–2009. This work was carried out at the Direction générale, the Service des finances, the Service du capital humain (SCH), the Service de la mise en valeur du territoire et du patrimoine (SMVTP), the Service des infrastructures, transport et environnement (SITE) and in the Mercier–Hochelaga-Maisonneuve and LaSalle boroughs. At the SITE, we limited our analysis to the Direction de l'environnement et du développement durable, given the large number of measures presented by this department.

OBSERVATIONS AND RECOMMENDATIONS

To implement the RASOP in the various central departments and boroughs, activities must be planned and coordinated to ensure that the business units adopt a common approach whenever possible.

In 2006, the RASOP exercise was carried out in two main phases. During the first phase, each of the City's business units (central departments and boroughs) was required to list the activities executed and, for each of these, to determine the deliverables, clients, service providers and budget of the corresponding revenues and expenditures. The results of this stage were compiled in a summary table and presented to the RASOP steering committee. As part of this exercise, the business units were also required to determine which activities had a high potential for recurring savings within a short time frame and present this to the RASOP steering committee. This committee would then submit its proposals to the executive committee.

For the boroughs, a more specific process was introduced to inventory their activities. Since these activities are essentially the same from one borough to the next, a list of 146 core activities was developed and validated by five borough directors (LaSalle, Villeray–Saint-Michel–Parc-Extension, Montréal-Nord, Ville-Marie and Saint-Laurent) and the Directrice de projets, planification stratégique intégrée.

During the second phase, the business units were asked to prepare, for each activity, an activity review report. This report was intended to provide additional information on the activity and analyze its purpose in accordance with various criteria. Based on this analysis, the managers were required

to recommend whether an activity should be maintained, modified or withdrawn. If the managers felt that changes were necessary, the unit needed to determine the anticipated additional revenues or cost-cutting measures required. Following this, the data was incorporated into a summary table for the business unit. This table and the activity reports were then submitted to the RASOP steering committee between August 15 and September 15 for analysis.

The SMVTP and the SITE submitted their activity reviews to the RASOP steering committee on August 15, 2006. The activity reviews for the LaSalle and Mercier–Hochelaga-Maisonneuve boroughs were submitted by their mayor and borough manager first to their borough councils and then to the RASOP steering committee, on September 8 and 14, respectively.

RASOP measures selected by the executive committee

According to the provisions of the Charter of Ville de Montréal, the executive committee must prepare the City's budget and present it to city council. This budget must include the credits and allotments for the central departments and the boroughs. The executive committee therefore has the ultimate responsibility for making budget decisions for the entire City. However, following the presentation of the measures established by the administrative units to the RASOP steering committee, it was decided that the measures for the central departments would be presented to the executive committee whereas those for the boroughs would be presented to the borough councils. In principle, this approach was adopted because the measures proposed by the boroughs dealt with activities that fell within their jurisdiction.

In October 2006, the executive committee held two working meetings to examine the recommendations of the RASOP steering committee regarding the measures of the central departments. Following these meetings, 207 measures were selected. Of these, 184 were executable mainly in 2007, while others were focused more on 2008 and 2009 and involved specific organizational restructuring initiatives. Finally, some of the measures applied to the relations strategy with the Gouvernement du Québec designed to secure increased funding for certain activities, transfer responsibility for others and obtain certain enabling powers.

Although these measures were selected by the executive committee, they were never formally approved by it. Furthermore, we found no other authorization in this regard on the part of the RASOP steering committee or the Direction générale.

Among the 207 measures selected by the executive committee, 12 involved the SMVTP and 14 pertained to the Direction de l'environnement et du développement durable of the SITE.

With regard to the Mercier–Hochelaga-Maisonneuve borough, 146 cards were prepared to review all of its activities, and 49 recommendations were formulated and included in the borough's summary table. These recommendations focused primarily on the need to review certain activities in order to decentralize or centralize them, as the case may be, but without ensuring any significant savings in the 2007 budget process.

As for the LaSalle borough, a total of 103 cards out of 146 were prepared (43 activities were not applicable to the borough) and seven recommendations were formulated and included in the summary table. These recommendations focused mainly on activities that would benefit from being grouped together with those of the central departments or other boroughs (e.g., snow removal site operations).

Overall, the measures established by these two boroughs are aimed at ensuring a better balance of responsibilities and improved cooperation among the various entities, rather than at generating actual short-term savings.

The RASOP steering committee identified and validated the boroughs' proposals but did not render any decisions on the optimization alternatives proposed by both boroughs during their presentations on the activity review in September 2006. As for the executive committee, it did not take any position on the choice of optimization alternatives proposed by either borough.

In our opinion, the fact that the measures selected for the central departments were not formally approved by the executive committee or any other designated authority may have hindered their implementation and led to a lack of ongoing interest in their follow-through. By approving these initiatives, the executive committee would have clearly shown its support for and commitment to the selected measures and encouraged the business units to take the necessary steps to proceed with the RASOP measures and consequently provide justification for those that were not carried out.

Recommendation

We recommend that the Direction générale, in conjunction with the central departments involved, determine which measures selected by the executive committee require further action, update said measures and have them formally approved in order to clearly

demonstrate the explicit will of the municipal administration to implement them and generate the anticipated savings or additional revenues.

Actions proposed by the Direction générale

“Regarding the measures selected by the executive committee that are to be pursued, they will be examined in order to determine whether they are still relevant. The impact of the economic crisis on the City's finances may mean that measures of another nature will have to be taken instead.”
(Planned completion: December 2009)

RASOP measures integrated into the 2007 budget

The review of activities, services, operations and programs was carried out in the summer and early fall of 2006. This is generally the time of year when the City's budget preparations are taking place. As a result, at the same time as the RASOP exercise was under way, each of the business units was also required to prepare its 2007 budget, in accordance with the budgetary guidelines issued by the Service des finances.

According to these guidelines, central departments were required to contribute to the effort designed to allow the City to fulfill its financial obligations and its service offering. As a result, they were permitted to index their expenses in accordance with certain anticipated increases (e.g., professional fees), provided they generated \$103.8 million in fiscal flexibility (\$93 million in cost cuts and \$10.8 million in increased revenues). As for the boroughs, the main parameters in their budgets were maintained at their 2006 levels, and they were not asked to cut costs or increase their revenues.

The central departments were required to indicate the optimization strategy they chose to achieve the expected level of fiscal flexibility in their budget documents. This strategy was to be composed of two elements: the RASOP strategy and the balancing strategy. The combined effect of the application of these two strategies by all central departments was supposed to yield the fiscal flexibility target.

The 2007 budget documents indicate that the executive committee decided to apply, starting in 2007, nearly 80 recommendations resulting from the RASOP, not to mention dozens of others to be implemented in the boroughs. However, we were not able to find a list of these

80 recommendations at the Service des finances or a list of those that were implemented in the boroughs.

Following the preparation of the 2007 budget, the Service des finances compiled the results of the optimization strategy. Based on these findings, the anticipated cost cuts and additional revenues in 2007 totalled \$91.5 million, including \$35.3 million obtained through the RASOP strategy (\$25-million reduction in expenses and \$10.3 million increase in revenues). The managers of the Service des finances have pointed out that, regardless of whether they were attributed to the RASOP or to budget cuts, these results have made it possible to achieve the specified budget targets and balance the City's budget.

Accordingly, the Service des finances compiled the anticipated RASOP-related savings and revenues as established by the central departments in the 2007 budget but did not compile those related to the measures adopted by the boroughs, as the boroughs were not required to include a RASOP strategy in their 2007 budget.

Conclusion

The Service des finances did not keep records related to the recommendations resulting from the RASOP that were integrated into the 2007 budget. These records would have made it possible to determine their contribution to the budgetary balance and help improve accountability.

Accountability regarding RASOP measures

In order for the designated authorities (executive committee) to assess to what extent the RASOP helped to achieve the anticipated objectives, certain accountability mechanisms need to be in place. As this operation required the involvement of all of the City's administrative units, these mechanisms must also make it possible to keep the managers of these business units informed. Consequently, regular management reports must be produced and must include relevant information on the evaluation of the results achieved and the targets to aim for.

In November 2006, the Director General issued a news release with the results of the RASOP initiative. This release focused on three areas related to the initial objectives of this exercise:

- “The first observation is that even though a large majority of the activities carried out by the City of Montréal essentially coincide with its mission as a city and metropolis, it was necessary to

review its practices in order to ensure that they are conducted as efficiently and cost-effectively as possible for all Montréal taxpayers.

- The second observation is that, over the years, the municipal administration has integrated into its service offering a certain number of activities that are worth re-examining, either because the City is not the best organization for providing this service or because the activity simply does not fall under its jurisdiction.
- The third observation is that, by reviewing our practices, the City can produce recurring savings. The selected propositions will generate roughly \$300 million in fiscal flexibility within three years. These savings will be accomplished through a series of measures, including a reduction in the number of positions through attrition, the City's withdrawal from some activities, a considerable tightening up of our management processes and certain negotiations with the Gouvernement du Québec.”

Moreover, the release states that the executive committee has committed to implementing nearly 80 recommendations resulting from the revision process starting with the 2007 budget, in addition to dozens of others that will be put into place in the boroughs.

Other documents were also produced regarding the results of the RASOP exercise achieved by the RASOP technical committee (tables and reports) and the Service des finances (budget documents).

In spring 2007, the RASOP technical committee followed-up on the measures selected by the executive committee for the central departments (207 measures) as well as those planned by the boroughs. To that effect, the committee communicated with the central departments and the boroughs to determine the degree of progress made with respect to their measures and compiled the resulting data. However, the committee undertook no specific initiatives to verify the accuracy of the information received.

Based on this information, the technical committee prepared a follow-up table for the measures undertaken as well as a progress report on the RASOP project for the central departments and a progress report for the boroughs. The follow-up table for the central departments shows the status of each of the 207 selected measures, the unit responsible, the anticipated and actual savings and revenues to date for 2007, the anticipated savings and revenues for 2008 and 2009 and additional comments. The progress report for the central departments shows anticipated and actual savings and revenues for the measures outlined in the 2007 budget, the measures in progress, the measures deferred, delayed or cancelled, the measures related to process reviews and the

measures resulting from changes made in specific activities (e.g., governance, organizational structure, snow removal, waste management and recycling). The progress report for the boroughs indicates, for each borough, the total anticipated savings and revenues in October 2006 as well as the total actual savings and revenues in February 2007.

According to the report on the central departments, of the 207 measures selected by the executive committee in October 2006, 43 were accounted for in the 2007 budget, for a total of \$56.4 million in anticipated savings and revenues. The managers of these departments indicated that these commitments would amount to roughly \$42.6 million (this differs from the cumulative total established by the Service des finances, since it comes from an estimate of the anticipated expenses and revenues compiled in spring 2007). For the boroughs, the report shows \$4.2 million in actual savings and revenues.

Once completed, these documents (tables and reports) prepared by the technical committee were sent to the RASOP steering committee and were reportedly submitted to the executive committee in June 2007. The technical committee was dissolved in early October 2007.

In June 2007, in addition to the documents submitted by the technical committee, we were informed that a presentation was delivered to the executive committee on the RASOP. This presentation addressed the following: a recap of the principles of the RASOP, the governance structure (steering committee, technical committee and change management and communication committee), the steps taken since February 28, 2007, the success factors, the overall status report for 2007, new approaches and the next steps for the RASOP initiative.

Regarding the 2007 budget documents, they report on the number of measures integrated into the budget. The 2008 budget documents state that the municipal administration was pursuing the RASOP initiative and that the savings generated by these measures had made it possible to cover the increases in costs related to the contractual obligations of the City, such as the costs of labour, waste collection and transportation contracts, and increases in energy-related public utilities. A table on the workforce reduction initiatives anticipated in the 2008 budget is also included in these documents.

According to the information obtained from the Service des finances, the cost cuts and increases in revenues totalled \$35.3 million in 2007. This figure takes into account the cuts and revenues indicated in the budget documents for the central departments.

Based on our observations, various sources of information on the results of the RASOP initiative exist, i.e., the news release issued by the Direction générale on November 22, 2006, documents (tables and reports) prepared by the RASOP technical committee, data included in the budget reports and the presentation to the executive committee. Our audit did not reveal any other documents that report on the results of the RASOP after June 2007.

Our examination of these reports indicates that relevant information was issued but that some important data is missing or not up to date. In addition, these reports do not present a summary of all of the relevant factors and are not always consistent. For example, the reports do not look at the following:

- Measures selected by the executive committee and not yet implemented;
- Measures implemented by the boroughs;
- Attainment of \$300 million in fiscal flexibility;
- Activities transferred to other levels of government;
- Cost of implementing RASOP.

Given that the RASOP process was a long and laborious one that required the deployment of considerable resources on the part of various administrative units and that precise expectations had been set out by the municipal administration regarding the expected results, it would have been essential that complete information be made available on the degree of completion of these goals and, more specifically, as it pertains to the \$300 million in fiscal flexibility. A report of this nature would have made it possible to evaluate the results achieved and determine whether further action was required. Moreover, this report would have helped the administration render a decision on the value of repeating a similar exercise in the future. It is possible, given the results, that the administration could decide that a review should be carried out regularly, as circumstances dictate (e.g., every four years, focusing on specific activities).

Conclusion

Information regarding the results of the RASOP was produced by various stakeholders. However, we did not find any reports that provided a comprehensive analysis of the results achieved.

Recommendation

Should the municipal administration decide to repeat this exercise, we feel that the Direction générale should review the actions undertaken as part of the RASOP process in order to select the best practices and implement an accountability process that would ensure the production of comprehensive reports on the results achieved.

Actions proposed by the Direction générale

“The 2008–2010 action plan adopted by the executive committee on July 2, 2008, proposes in section 3.3.3 the introduction of a permanent system to review practices.

Efforts are currently under way to develop a mechanism within the City that would make it possible to identify, encourage, promote and implement best practices in keeping with the City's strategies.”
(Planned completion: December 2009)

Implementation of RASOP measures

As we did not possess sufficiently comprehensive information on the results of the RASOP and considering that our goal was to examine the level of completion of some of these measures, we proceeded with a variety of complementary auditing tasks. We thus examined the follow-up carried out in two central departments (SMVTP and the Direction de l'environnement et du développement durable of the SITE) and in two boroughs (Mercier–Hochelaga-Maisonneuve and LaSalle).

Selected central departments

The RASOP steering committee and the executive committee selected 12 RASOP measures submitted by the SMVTP and 14 measures submitted by the SITE for 2007. Of these 26 measures, 11 were integrated into the 2007 budget process for these departments. For 2008 and 2009, these units did not submit any RASOP measures in their budget documents.

The results of our analysis of the implementation of the 26 measures selected by the executive committee are summarized in the following table.

IMPLEMENTATION OF RASOP MEASURES SELECTED BY THE EXECUTIVE COMMITTEE						
DESCRIPTION	MEASURES SELECTED		MEASURES IMPLEMENTED, ACCORDING TO THE GAO ¹		MEASURES NOT IMPLEMENTED VARIATION	
	Qty	Amount (\$000)	Qty	Amount (\$000)	Qty	Amount (\$000)
SMVTP	12 ²	\$12,020.6	7	\$6,875.8	5	\$5,144.8
SITE	14 ³	\$14,038.0	4	\$2,632.0	10	\$11,406.0
TOTAL	26	\$26,058.6	11	\$9,507.8	15	\$16,550.8
PERCENTAGE	100%	100%	42%	36%	58%	64%

¹ This refers to measures implemented, in whole or in part, according to the General Auditor's Office.

² Four of the 12 measures were withdrawn at the request of the executive committee (measures #3, #6, #7 and #12, for a total of \$4.872 million).

³ Four of the 14 measures are requests to transfer activities that are assumed by the City but that are within the jurisdiction of the Gouvernement du Québec (measures #11, #12, #13 and #14, for a total of \$2.579 million).

In light of these results, we have ascertained that fewer than half of the measures originally selected by the executive committee have been implemented, in whole or in part, i.e., 11 out of 26 measures (42%), for a total of \$9,507.8 million (36%).

In addition to this variation, our analysis leads us to question the interpretation provided by the departments with respect to the implementation of the measures (anticipated savings or revenues). The results of this questioning have a considerable impact on the amount (\$9,507.8 million) for the measures implemented. Our observations in this regard are as follows:

- \$5.102 million, measure #1, which applies to subsidy programs granted by the SMVTP.

The calculation method used to determine the anticipated savings and revenues for the RASOP program is simple. It involves establishing the variations between the RASOP goal set by the administrative unit for the target year (2007) and the amount budgeted in the preceding year (2006).

With respect to the subsidy programs, the goal was to reduce the City's participation in the budget for these programs by \$5.1 million. This goal was achieved. However, a considerable variation of \$11,835,441 still remained in 2007 between the completed programming (actual: \$29,913,469) and anticipated programming (budget: \$41,748,910). The proposed RASOP measure reduced this budgetary surplus by only \$5.1 million, without generating a real reduction in the City's participation. Consequently, it was possible to follow through with the proposed measure of the 2007 RASOP program while still, in actual fact, increasing the City's participation in the subsidy programs.

- \$1.892 million, measure #1, which proposes that the SITE stagger the last annual rent payment for the Complexe environnemental Saint-Michel (CESM) over two years.

By way of this initiative, the SITE spread out the 2007 rent payment for the CESM over two years. In our view, this constitutes a deferral rather than savings per se.

Consequently, we should subtract the value of these measures from the total of the amounts considered to be realized. The result would therefore be \$2.509 million (\$9.508 million - \$6.994 million) or 9.6% of the measures carried out by the departments.

A more in-depth analysis of the data we examined also allowed us to ascertain that:

- only 42% (11/26) of the RASOP measures (six for the SMVTP and five for the SITE) were incorporated into the 2007 budget, representing \$11.807 million. Consequently, some measures were not included in the 2007 budget, although the underlying reasons for these omissions were not given; and
- a considerable variation of \$3.827 million (\$13.335 million less \$9.508 million) exists between the amount considered to be realized by the managers of these departments and the amount at which we arrived. The main reason for this variation is attributable to measure #6 of the SITE, which deals with the search for new approaches to waste management. In the follow-up table for RASOP measures, an amount of \$3.575 million is identified as being realized, although the manager we met with could not determine how this amount was calculated.

SUMMARY TABLE (\$000)								
DESCRIPTION	MEASURES SELECTED				MEASURES IMPLEMENTED			
	EXECUTIVE COMMITTEE		BUDGETED		ACCORDING TO THE BUSINESS UNITS		ACCORDING TO THE GAO	
	#	Amount	#	Amount	#	Amount	#	Amount
TOTAL	26	\$26,058.6	11	\$11,807.3	12	\$13,335.3	11	\$9,507.8
PERCENTAGE	100%	100%	42%	45%	46%	51%	42%	36%

During our audit, we learned of a \$14-million measure that was not included in the measures selected by the executive committee but that was added by the Service des finances in the 2007 RASOP budget of the Direction de l'environnement et du développement durable of the SITE. This measure involves an amount received as part of the program to redistribute to the municipalities the amounts received by the Gouvernement du Québec for the disposal of residual materials collected. As this amount results from a governmental program and would have been received by the City anyway, we do not believe that this measure should be included in the RASOP results. Besides,

the Direction de l'environnement et du développement durable did not submit a RASOP report in this regard.

Recommendation

For RASOP measures that will be pursued, we recommend that the Service des finances develop precise criteria that make it possible to accurately classify the anticipated savings and additional revenues resulting from this exercise so that only the relevant results are considered.

Actions proposed by the Service des finances

“As part of the ongoing RASOP initiative or a new plan similar to it, the Service des finances proposes the following, in support of the RASOP committee:

- *Current RASOP:*
 - *apply current budgetary guidelines in order to monitor workforce reduction initiatives designed to reach the goal of abolishing 1,000 positions;*
- *New plan:*
 - *ensure that a representative of the Service des finances is appointed to the committee to facilitate coordination,*
 - *obtain from the Direction générale the list of RASOP projects and submit an official report on this as part of the annual budget preparation process at the same time as the budgetary guidelines,*
 - *integrate the rules proposed by the RASOP committee into the budget process in order to acknowledge the proposed savings,*
 - *modify the operating budget strategy and preparation guide by integrating the following:*
 - *documentation based on points #1 and #3 in the operating budget strategy and preparation guide,*
 - *inclusion of a specific appendix in the RASOP activities to determine the corresponding budgets and impacts on annual operating budgets,*
 - *transmission of this appendix to the RASOP committee and the Direction générale once the budget process is over.” (Planned completion: at the same time as the annual budget process).*

Selected boroughs

In summer 2006, the boroughs proceeded to examine their activities as part of the RASOP, with the view to generating savings and seeking out short-, medium- and long-term solutions to strategic and financial issues for the City.

On September 30, 2006, the Service des finances submitted to the administrative units an updated guide on preparing the operating budget for 2007. In the guidelines, boroughs were reminded to stay within their allocated budgets without compromising the quality of services offered to the public.

In a letter dated October 6, 2006, the Director General sent all the borough directors information on the 2007 budget allowances, in which he stipulated the following: “The balanced budget framework for 2007 now reflects the overall strategies adopted by the administration, i.e., freezing the tax burden of our taxpayers and refocusing our resources on key administrative priorities. For the boroughs, the results of the RASOP were not included in the financial framework and therefore constitute a source of fiscal flexibility for the borough councils.”

For the two selected boroughs, we examined, for 2007 and 2008, whether the selected RASOP measures had been carried out and what the target RASOP measures were for 2009. We also analyzed the impact of attrition with respect to certain positions in these two boroughs.

Mercier–Hochelaga-Maisonneuve Borough (2007–2008–2009)

During our audit, we ascertained that the borough had not selected any RASOP measures in order to achieve a balanced budget in 2007.

However, the borough reported a net reduction of 3.1 person-years in 2007, as the result of an administrative restructuring operation. This net reduction has been taken into account in the reduction target of 1,000 positions but is not considered to be a RASOP measure per se, since it was not indicated as a target by the borough as part of the RASOP initiative.

Consequently, for 2008 and 2009, the positions abolished as part of the RASOP program represent a decrease of 43.7 person-years for the Mercier–Hochelaga-Maisonneuve borough.

Conclusion

The borough did not set out any RASOP measures for the 2007 budget. For the 2008 budget year, the workforce reduction target was achieved and measures focusing primarily on the termination of activities related to food services were undertaken and will be included in the 2009 budget. The 2009 budget will also include a reduction in the structure of blue collar positions in terms of the financing of temporary assignments.

The budgets received by the Service des finances, including the corresponding financial goals, such as the anticipated rationalizations of costs and abolishments of positions, were met for 2007 and 2008.

LaSalle borough (2007–2008–2009)

For this borough, we ascertained that no RASOP measures had been selected in order to achieve a balanced budget in 2007.

Following a letter dated February 9, 2007, from the Directeur général associé responsible for the RASOP, the LaSalle borough manager stated that he had not made any commitment regarding the RASOP (summer 2006). Moreover, the borough director immediately launched a review of the activities of his administration in order to further reduce certain costs and attempt to adopt new practices.

In 2008, the application of RASOP measures in the LaSalle borough led to a reduction of 2.0 person-years, as a result of the abolishment of the positions of assistant within the Direction des services techniques and surveyor helper. These cuts have also been taken into account in the reduction target of 1,000 positions. This reduction of 2.0 person-years translates into annual savings of roughly \$121,000.

In 2008, the municipal administration reviewed the deadline for reaching the target of cutting 1,000 positions. As a result, the business units now have until January 1, 2010 to achieve the established target (2007–2009).

The reduction of 1,000 positions as part of the new 2007–2010 objective remains a priority for the municipal administration in its 2009 budget. While preparing the 2009 budget, each of the business

units must consider its current status with respect to the workforce reduction target established in conjunction with the Direction générale.

The governance structure will be reorganized near the end of 2009. The managers of the borough have stated that several projects are currently being studied and that the RASOP goal should be met by January 1, 2010, i.e., in the 2010 budget, as arranged with the Direction générale.

Conclusion

The borough did not set out any RASOP measures for the 2007 budget. In 2008, job cuts carried out as part of the RASOP resulted in a reduction of 2.0 person-years. The borough management expects to undertake various measures in 2009 and 2010 (addition of 3.0 person-years in 2009 and reduction of 25.8 person-years in 2010) in order to achieve the reduction target of 24.8 person-years (2007–2010).

The budget allowances received by the Service des finances, including the corresponding financial goals, such as the anticipated rationalizations of costs and abolishments of positions, were met for 2007 and 2008.

Recommendation

We recommend that the LaSalle borough take the necessary steps to ensure the execution of the planned measures to achieve the reduction target by January 1, 2010.

Actions proposed by the LaSalle borough

“Creation of an analysis committee made up of two directors and three elected officials from the borough council. (Planned completion: January 12, 2009)

Development of the analysis and orientation plan. (Planned completion: January 16, 2009)

Analysis committee meetings. (Planned completion: January 26, 2009; February 25, 2009; and March 17, 2009)

Meeting with the directors.” (Planned completion: nine meetings between January 16, 2009, and March 10, 2009)

Overall monitoring of the attrition of 1,000 positions

Following the RASOP exercise in the various administrative units, the municipal administration indicated that the selected proposals needed to generate roughly \$300 million in fiscal flexibility over three years. These savings were to be achieved through such initiatives as a reduction in the number of positions through attrition (1,000 positions, including 250 management-level positions). In order to achieve this goal, a hiring freeze and various other measures were implemented.

Hiring freeze

At its meeting on July 5, 2006, the executive committee declared a hiring freeze in both the boroughs and the central departments. The purpose of this freeze was to put a stop to the recruiting of external resources, considering the potential workforce reductions that may result from the analyses of organizational structures and operational activities.

It was decided to apply the freeze to:

- temporary or permanent external hires;
- permanent appointments;
- the creation of new temporary or permanent management or unionized positions; and
- the creation or re-evaluation of management or unionized positions.

In conjunction with the SCH, we reviewed the creation of 10 decision records for exemptions submitted to and authorized by the Director General (four records in the central departments and six in the two boroughs examined). The tests we conducted did not reveal any violations in the measures adopted by the executive committee in relation to the hiring freeze.

Conclusion

On the basis of the records examined, the audit of the measures established by the executive committee in July 2006 with respect to the hiring freeze revealed no abnormalities in the boroughs or central departments.

Reduction of 1,000 positions (including 250 management-level positions)

The City of Montréal anticipates abolishing 1,000 positions through attrition by 2009, thus contributing to reducing expenses by \$300 million within three years. The reduction target of

1,000 positions was established by the municipal administration based on estimated annual staff movements resulting in vacant positions. In 2006, City personnel put in roughly 20,000 person-years. Annual staff movements, based on previous years, stood between 3% and 5%. The reduction target of 1,000 positions was therefore established by multiplying 20,000 person-years by 5%. This target was spread out over three years to take into account that a certain number of vacated positions would have to be filled to meet operational needs.

Police officers and firefighters, whose staffing requirements are controlled by other parameters, were excluded from the reduction target of 1,000 positions. Other exemptions were also granted to political staff and certain units (e.g., Commission de la fonction publique, Commission des services électriques, Bureau de l'Ombudsman, General Auditor's Office and the Conseil du patrimoine).

In an internal memorandum dated November 22, 2006, the office of the mayor and the executive committee announced the reduction target of 1,000 positions, including 250 management-level positions, over a three-year period.

The targets for each of the business units were discussed during meetings in fall 2006 between the Director General and each of the borough directors, assistant directors general and senior directors. These targets were then conveyed to the units during the 2007 budget preparation process. The Director General established the three-year target (2007–2009) with each of the administrative units. A reduction target of 1,070.1 person-years (551.6 person-years for the boroughs and 518.5 person-years for the central departments) was established for 2007–2009.

The followed-up with respect to the achievement of the 2007 target was performed by the Director General with each administrative unit when the 2008 budget preparation process was launched in June 2007. It then fell to each of the business units to arrange its workforce reduction plan based on its operational needs and the commitment confirmed with the Director General to ensure its implementation.

During the preparation of the 2008 budget, the application of the RASOP measures, as well as any other rationalization scenario proposed by the business units designed to achieve the target set with the Direction générale with respect to workforce reduction initiatives for 2008 and 2009, was confirmed with the Director General in fall 2007.

The same control and readjustment process was conducted in 2008 as part of the 2009 budget preparations.

Furthermore, the deadline for achieving the target was modified by the municipal administration in 2008, wherein the administrative units were given until January 1, 2010, to achieve the reduction target of 1,000 positions. This change is a significant one in that it allows the business units four years (2007, 2008, 2009 and 2010) instead of the original three to attain their objective.

In 2008, the business units reduced their staff by 408.8 person-years as a result of various restructuring and reorganization initiatives. The effect of this reduction on compensation amounts to \$27.5 million.

Based on additional information in the City's 2008 budget, the staff in the boroughs is down 150.2 person-years compared to 2007. This net variation comes from a reduction of 230.4 positions, resulting from the efforts undertaken as part of the workforce reduction target and the addition of 80.2 positions primarily related to priority files, such as cleanliness and enhanced library services.

Accordingly, more than half of the reduction target of 1,000 jobs was achieved in 2008, i.e., 583.9 person-years or 58.4% of the reduction target.

Based on the situation observed to date, one of the individuals responsible for monitoring the workforce reduction initiative at the SCH stated that the reduction target of 1,000 positions should be achieved by January 1, 2010, as anticipated. This opinion is shared by the managers of the administrative units we audited, with the exception of the SITE. In fact, the managers we met with at the SITE were not able to confirm anything regarding the status of the established workforce reduction goals for 2009 and 2010.

The goal of reducing 250 management-level positions must be reached by January 1, 2010. A report prepared by the SCH for 2008 indicates a gross reduction of 65.4 person-years at the management level (38.3 person-years in the boroughs and 27.1 person-years in the central departments). This report is not available for 2007, however, making it impossible to measure the progress made in the reduction target. The management of the SCH has indicated that the figures for 2007, 2009 and 2010 will be available in 2009.

Recommendations

As the projection for achieving the goal of reducing 1,000 positions by January 1, 2010, means that a significant portion of the reductions must occur in 2009 and 2010, we

recommend that the SCH continue with its workforce reduction efforts to ensure that the administrative units have undertaken all the appropriate measures to achieve the anticipated results and to immediately notify the municipal administration in the event the target cannot be reached within the established time frame.

We also recommend that the SCH develop a measurement tool to track the progress in the goal of reducing 250 management-level positions.

Actions proposed by the Service du capital humain

“For 2009 and 2010, the Service du capital humain will continue to engage in the following activities:

- *Keep the Director General informed as to the application of resolution CE061129 and decision DG08059001 pertaining to requests for creating positions and jobs as well as to hiring;*
- *Track overall progress, provide information on the business units' targets and ongoing results and recommend the required courses of action to the Director General;*
- *Produce a progress report form and distribute it to each of the business units, confirming the reduction target and results for each of the years, including specific data for management-level positions for each of the target years;*
- *Conduct, in conjunction with the Service des finances, an analysis of the positions created and abolished as part of the budget preparation process, based on specific instructions related to these aspects and the workforce reduction goals for the business units, and notify the Director General of any irregularities; and*
- *Monitor the treatment of employees on standby in terms of allotment. **(Planned completion: in progress)***

Note: A hiring freeze has been in place in the City since March 2009.

As a tool to track the progress with respect to the goal of reducing 250 management-level positions, we have referred to Appendix 10 provided by the business units concerning abolished and created positions in the budget. Based on the appendices provided and the budget data, a specific compilation of management-level positions has been produced, in conjunction with the Service des finances, in order to obtain a clear perspective on the situation in terms of the variations observed compared to the reduction target.

*The specific information on management-level positions has been integrated into the overall target to reduce 1,000 positions.” **(Planned completion: in progress)***

APPENDIX

Excerpts from the *Cities and Towns Act* (articles 107, 108 and 113)..... 1
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SCHEDULE OF EXPENSE ACCOUNTS OF THE OFFICE OF THE GENERAL AUDITOR

External auditors' report
Schedule of expense accounts

EXCERPTS FROM THE CITIES AND TOWNS ACT (ARTICLES 107, 108, 113 AND MORE)

IV.1. — *Chief auditor*

Chief auditor.	107.1. The council of every municipality having 100,000 inhabitants or more shall have an officer called the chief auditor. 2001, c. 25, s. 15.
Term.	107.2. The chief auditor shall, by a resolution approved by a two-thirds majority of the votes of the members of the council, be appointed for a term of seven years. The term may not be renewed. 2001, c. 25, s. 15.
Ineligibility.	107.3. In no case may the following persons act as chief auditor: 1) a member of the council of the municipality and, where applicable, of a borough council; 2) the associate of a member mentioned in subparagraph 1; 3) a person who, personally or through an associate, has any direct or indirect interest in a contract with the municipality or a legal person referred to in paragraph 2 of section 107.7.
Disclosure of interest.	The chief auditor shall disclose in every report produced any situation that could cause a conflict between the chief auditor's personal interest and duties of office. 2001, c. 25, s. 15.
Inability or vacancy.	107.4. If the chief auditor is unable to act, or if the office of chief auditor is vacant, the council shall, 1) not later than at the sitting following the inability to act or the vacancy, designate a person qualified to replace the chief auditor, for a period of not more than 180 days; 2) not later than at the sitting following the inability or the vacancy, or not later than at the sitting following the expiry of the period fixed under paragraph 1, appoint a new chief auditor in accordance with section 107.2. 2001, c. 25, s. 15.
Expenses.	107.5. The budget of the municipality shall include an appropriation to provide for payment of a sum to the chief auditor to cover the expenses relating to the exercise of the chief auditor's duties.
Amount of appropriation.	Subject to the third paragraph, the appropriation must be equal to or greater than the product obtained by multiplying the total of the other appropriations provided for in the budget for operating expenses by 1) 0.17% where the total of those appropriations is less than \$100,000,000; 2) 0.16% where the total of those appropriations is at least \$100,000,000 and less than \$200,000,000; 3) 0.15% where the total of those appropriations is at least \$200,000,000 and less than \$400,000,000;

- 4) 0.14% where the total of those appropriations is at least \$400,000,000 and less than \$600,000,000;
- 5) 0.13% where the total of those appropriations is at least \$600,000,000 and less than \$800,000,000;
- 6) 0.12% where the total of those appropriations is at least \$800,000,000 and less than \$1,000,000,000;
- 7) 0.11% where the total of those appropriations is at least \$1,000,000,000.

Exception.	Where the budget of the municipality provides for appropriations for operating expenses related to the operation of a system of production, transmission or distribution of electric power, 50% only of those appropriations shall be taken into account in establishing the total of the appropriations referred to in the second paragraph. 2001, c. 25, s. 15; 2001, c. 68, s. 5.
Duties.	107.6. The chief auditor is responsible for the application of the municipality's policies and standards relating to the management of the human, material and financial resources assigned to auditing. 2001, c. 25, s. 15.
Duties.	107.7. The chief auditor shall audit the accounts and affairs <ul style="list-style-type: none"> 1) of the municipality; 2) of every legal person in respect of which the municipality or a mandatary of the municipality holds more than 50% of the outstanding shares or voting shares or appoints more than 50% of the members of the board of directors. 2001, c. 25, s. 15.
Audit.	107.8. The audit of the affairs and accounts of the municipality and of any legal person referred to in paragraph 2 of section 107.7 comprises, to the extent considered appropriate by the chief auditor, financial auditing, auditing for compliance of their operations with the Acts, regulations, policies and directives, and auditing for value-for-money.
Audit.	The audit must not call into question the merits of the policies and objectives of the municipality or legal persons referred to in paragraph 2 of section 107.7.
Documents and information.	The chief auditor in the performance of his duties is authorized <ul style="list-style-type: none"> 1) to examine any document concerning the affairs and accounts relating to the objects of the audit; 2) to require from any employee of the municipality or any legal person referred to in paragraph 2 of section 107.7 all information, reports and explanations the chief auditor considers necessary. 2001, c. 25, s. 15; 2001, c. 68, s. 6.
Audit.	107.9. Any legal person receiving an annual subsidy from the municipality of at least \$100,000 is required to have its financial statements audited.
Copy.	The auditor of a legal person not referred to in paragraph 2 of section 107.7 that receives an annual subsidy from the municipality of at least \$100,000 shall transmit to the chief auditor a copy of

	<ul style="list-style-type: none"> 1) the annual financial statements of the legal person; 2) the auditor's report on the statements; 3) any other report summarizing the auditor's findings and recommendations to the board of directors or the officers of the legal person.
Documents and information.	<p>That auditor shall also, on the request of the chief auditor,</p> <ul style="list-style-type: none"> 1) place at the disposal of the chief auditor any document relating to the auditor's audit and its results; 2) provide all information and explanations the chief auditor considers necessary concerning the auditor's audit and its results.
Additional audit.	<p>Where the chief auditor considers that the information, explanations and documents provided by an auditor under the second paragraph are insufficient, the chief auditor may conduct such additional audit as he considers necessary.</p> <p>2001, c. 25, s. 15.</p>
Audit.	<p>107.10. The chief auditor may conduct an audit of the accounts or documents of any person having received financial assistance from the municipality or from a legal person referred to in paragraph 2 of section 107.7, as regards the use made of such assistance.</p>
Accounts and documents.	<p>The municipality and the person having received the financial assistance are required to furnish to or place at the disposal of the chief auditor any accounts and documents that the chief auditor considers relevant to the performance of the chief auditor's duties.</p>
Information.	<p>The chief auditor is authorized to require from any officer or employee of the municipality or from any person having received financial assistance any information, reports and explanations the chief auditor considers necessary to the performance of the chief auditor's duties.</p> <p>2001, c. 25, s. 15.</p>
Audit.	<p>107.11. The chief auditor may conduct an audit of the pension plan or pension fund of a pension committee of a municipality or a legal person referred to in paragraph 2 of section 107.7 where the committee requests the chief auditor to do so with the approval of the council.</p> <p>2001, c. 25, s. 15.</p>
Duties.	<p>107.12. The chief auditor shall, every time the council so requests, investigate and report on any matter within the competence of the chief auditor. In no case, however, may the investigation take precedence over the primary responsibilities of the chief auditor.</p> <p>2001, c. 25, s. 15.</p>
Report.	<p>107.13. Not later than 31 August each year, the chief auditor shall transmit to the council a report presenting the results of the audit for the fiscal year ending on the previous 31 December and indicate any fact or irregularity the chief auditor considers expedient to mention, in particular in relation to</p> <ul style="list-style-type: none"> 1) control of revenue including assessment and collection;

- 2) control of expenditure, including authorization, and compliance with appropriations;
- 3) control of assets and liabilities including related authorizations;
- 4) accounting for operations and related statements;
- 5) control and safeguard of property owned or administered;
- 6) acquisition and utilization of resources without sufficient regard to economy or efficiency;
- 7) implementation of satisfactory procedures to measure and report effectiveness in cases where it is reasonable to do so.

Report. The chief auditor may also, at any time, transmit to the council a report of the findings and recommendations that, in the opinion of the chief auditor, warrant being brought to the attention of the council before the filing of the annual report.
2001, c. 25, s. 15.

Report. **107.14.** The chief auditor shall report to the council on the audit of the financial statements of the municipality and the statement fixing the aggregate taxation rate.

Report. In the report, which shall be transmitted to the treasurer not later than 31 March, the chief auditor shall state, in particular, whether

- 1) the financial statements faithfully represent the municipality's financial position on 31 December and the results of its operations for the fiscal year ending on that date;
- 2) the effective aggregate taxation rate was fixed in accordance with Division III of Chapter XVIII.1 of the *Act respecting municipal taxation* (chapter F-2.1).

2001, c. 25, s. 15; 2006, c. 31, s. 16.

Report. **107.15.** The chief auditor shall report to the boards of directors of the legal persons referred to in paragraph 2 of section 107.7 on the audit of the financial statements before the expiry of the time within which they are to produce their financial statements.

Report. In the report, the chief auditor shall state, in particular, whether the financial statements faithfully represent their financial position and the results of their operations at the end of their fiscal year.
2001, c. 25, s. 15.

Testimony. **107.16.** Notwithstanding any general law or special Act, neither the chief auditor nor the employees under the chief auditor's direction or the professionals under contract may be compelled to give testimony relating to any information obtained in the performance of their duties or to produce any document containing such information.

Immunity. Neither the chief auditor nor the employees under the chief auditor's direction may be prosecuted by reason of any act they have done or failed to do in good faith in the performance of their duties.

Immunity. No civil action may be instituted by reason of the publication of a report of the chief auditor prepared under this Act or of the publication in good faith of an extract or summary of such a report.

Immunity.	Except on a question of jurisdiction, no recourse under article 33 of the Code of Civil Procedure (chapter C-25) or extraordinary recourse within the meaning of that Code may be exercised nor any injunction granted against the chief auditor, the employees under the chief auditor's direction or the professionals under contract acting in their official capacity.
Annulment.	A judge of the Court of Appeal, on a motion, may summarily annul any proceeding instituted or decision rendered contrary to the provisions of the first paragraph. 2001, c. 25, s. 15.
Audit committee.	107.17. The council may establish an audit committee and determine its composition and powers.
Audit committee of the urban agglomeration of Montréal.	Despite the first paragraph, in the case of the urban agglomeration of Montréal, the council must establish an audit committee composed of not more than 10 members appointed on the proposal of the mayor of the central municipality. Two of the committee members must be council members representing the reconstituted municipalities. Those two members shall take part in deliberations and votes of the committee on any matter related to an urban agglomeration power.
Opinions and information of the committee.	In addition to the other powers that may be entrusted to it, the committee established in the case of the urban agglomeration of Montréal shall submit opinions to the urban agglomeration council on the requests, findings and recommendations of the auditor general concerning the urban agglomeration. It shall also inform the auditor general of the interests and concerns of the urban agglomeration council with respect to the audit of the accounts and affairs of the central municipality. On an invitation by the committee, the auditor general or a person designated by the auditor general may attend a sitting and take part in deliberations. 2001, c. 25, s. 15; 2008, c. 19, s. 11.
<i>V. — External auditor</i>	
External auditors.	108. The council shall appoint an external auditor for not more than three fiscal years, except in the case of a municipality with a population of 100,000 or more, where the external auditor shall be appointed for three fiscal years. At the end of the term, the external auditor shall remain in office until replaced or reappointed.
Information sent to the Minister.	If the external auditor appointed for a fiscal year is not the external auditor in office for the preceding fiscal year, the clerk shall inform the Minister of Municipal Affairs and Regions of the name of the new external auditor as soon as possible after his appointment. R. S. 1964, c. 193, s. 104; 1975, c. 66, s. 11; 1984, c. 38, s. 11; 1995, c. 34, s. 12; 1996, c. 27, s. 12; 1999, c. 43, s. 13; 2001, c. 25, s. 17; 2003, c. 19, s. 110, s. 250; 2005, c. 28, s. 196.

Vacancy.	<p>108.1. If the office of the external auditor becomes vacant before the expiry of his term, the council shall fill the vacancy as soon as possible.</p> <p>1984, c. 38, s. 11; 2001, c. 25, s. 18; 2003, c. 19, s. 111.</p>
Duties.	<p>108.2. Subject to section 108.2.1, the external auditor shall audit, for the fiscal year for which he was appointed, the financial statements, the statement fixing the aggregate taxation rate and any other document determined by the Minister of Municipal Affairs and Regions by regulation published in the <i>Gazette officielle du Québec</i>.</p>
Report.	<p>The auditor shall make a report of his audit to the council. He shall state in his report, in particular, whether</p> <ol style="list-style-type: none"> 1) the financial statements faithfully represent the municipality's financial position on 31 December and the results of its operations for the fiscal year ending on that date; 2) the effective aggregate taxation rate was fixed in accordance with Division III of Chapter XVIII.1 of the <i>Act respecting municipal taxation</i> (chapter F-2.1). <p>1984, c. 38, s. 11; 1996, c. 2, s. 209; 1999, c. 43, s. 13; 2001, c. 25, s. 19; 2003, c. 19, s. 250; 2005, c. 28, s. 196; 2006, c. 31, s. 17.</p>
Duties.	<p>108.2.1. In the case of a municipality having 100,000 inhabitants or more, the external auditor shall audit, for each fiscal year for which the external auditor has been appointed,</p> <ol style="list-style-type: none"> 1) the accounts relating to the chief auditor; 2) the financial statements of the municipality and any document determined by the Minister of Municipal Affairs and Regions by regulation published in the <i>Gazette officielle du Québec</i>.
Report.	<p>The external auditor shall make a report of the audit to the council. The external auditor shall state in the report on the financial statements, in particular, whether the financial statements faithfully represent the municipality's financial position on 31 December, and the results of its operations for the fiscal year ending on that date.</p> <p>2001, c. 25, s. 20; 2001, c. 68, s. 7; 2003, c. 19, s. 250; 2005, c. 28, s. 196.</p>
Report to the treasurer.	<p>108.3. The external auditor shall transmit to the treasurer, not later than 31 March following the expiry of the fiscal year for which the external auditor was appointed, the report referred to in section 108.2 or, as the case may be, the report referred to in subparagraph 2 of the first paragraph of section 108.2.1.</p>
Report to the council.	<p>The report referred to in subparagraph 1 of the first paragraph of section 108.2.1 shall be transmitted to the council on the date determined by the council.</p> <p>1984, c. 38, s. 11; 2001, c. 25, s. 21.</p>
Audits.	<p>108.4. The council may require any other audit it considers necessary, and require a report.</p> <p>1984, c. 38, s. 11.</p>

Access to books and information.	108.4.1. The external auditor shall have access to the books, accounts, securities, documents and vouchers and may require the employees of the municipality to furnish any information and explanations necessary for the performance of the external auditor's mandate. 2001, c. 25, s. 22.
Documents.	108.4.2. The chief auditor shall place at the disposal of the external auditor all books, statements and other documents prepared or used by the chief auditor during the audit conducted under section 107.7 and that the external auditor considers necessary to carry out his mandate. 2001, c. 25, s. 22; 2005, c. 28, s. 49.
Ineligibility.	108.5. In no case may the following persons act as external auditor of the municipality; 1) a member of the council of the municipality and, where applicable, of a borough council; 2) an officer or an employee of the municipality; 3) the associate of a person mentioned in paragraph 1 or 2; 4) a person who, during the fiscal year for which the audit is carried out, has, directly or indirectly, personally or through his associate, any participation, interest or commission in or under a contract with the municipality or in respect of such a contract, or who derives any benefit from the contract, unless his connection with the contract arises from the practice of his profession. 1984, c. 38, s. 11; 1996, c. 2, s. 209; 1999, c. 40, s. 51; 2001, c. 25, s. 23.
Partnership.	108.6. The external auditor may be an individual or a partnership. The external auditor may entrust his employees with his work but his responsibility is then the same as if he had performed all the work personally. 1984, c. 38, s. 11; 1999, c. 40, s. 51; 2001, c. 25, s. 24.
VII. — <i>Director general</i>	
Status.	113. The director general is the chief officer of the municipality.
Authority.	The director general has authority over all the other officers and employees of the municipality, except the chief auditor, who reports directly to the council. With respect to an officer or employee whose duties are prescribed by law, the authority of the director general is exercised only within the framework of his duties as the administrator of human, material and financial resources of the municipality and may in no case hinder the carrying out of duties that are prescribed by law.
Suspension.	The director general may suspend an officer or employee from his duties. He shall immediately make a report of the suspension to the council. The council shall decide the case of the suspended officer or employee, after inquiry. R. S. 1964, c. 193, s. 109; 1968, c. 55, s. 5; 1983, c. 57, s. 50; 2001, c. 25, s. 27.

LIST OF AUDIT REPORTS ISSUED (FINANCIAL STATEMENTS OR OTHER FINANCIAL INFORMATION)

The audit of the financial statements of the City of Montréal as at December 31, 2008, allowed us, as well as the external auditors, to issue an unqualified report in this respect.

By the time this report went to press, we had also produced a number of unqualified audit reports on financial statements or financial information, as listed here:

	2008	2007
Conseil des arts de Montréal	X	
Conseil interculturel de Montréal		X
Fonds des conduits souterrains		
Office de consultation publique de Montréal		X
Office municipal d'habitation de Montréal	X	X
Programme d'aide gouvernementale au transport en commun – Réseau initial du métro et ses prolongements		X
Programme d'assainissement des eaux usées		X
Tableau des dépenses mixtes – Ville de Montréal	X	
Taux global de taxation réel basé sur les valeurs ajustées – Agglomération de Montréal	X	
Taux global de taxation réel basé sur les valeurs ajustées – Ville de Montréal	X	
Anjou 80	X	
La Corporation d'habitations Jeanne-Mance	X	
La Société de transport de Montréal (covérificateur)	X	
Société d'habitation et de développement de Montréal	X	
Société de gestion Marie-Victorin	X	
Société du Parc Jean-Drapeau	X	

EMPLOYEES OF THE GENERAL AUDITOR'S OFFICE (YEAR 2008)

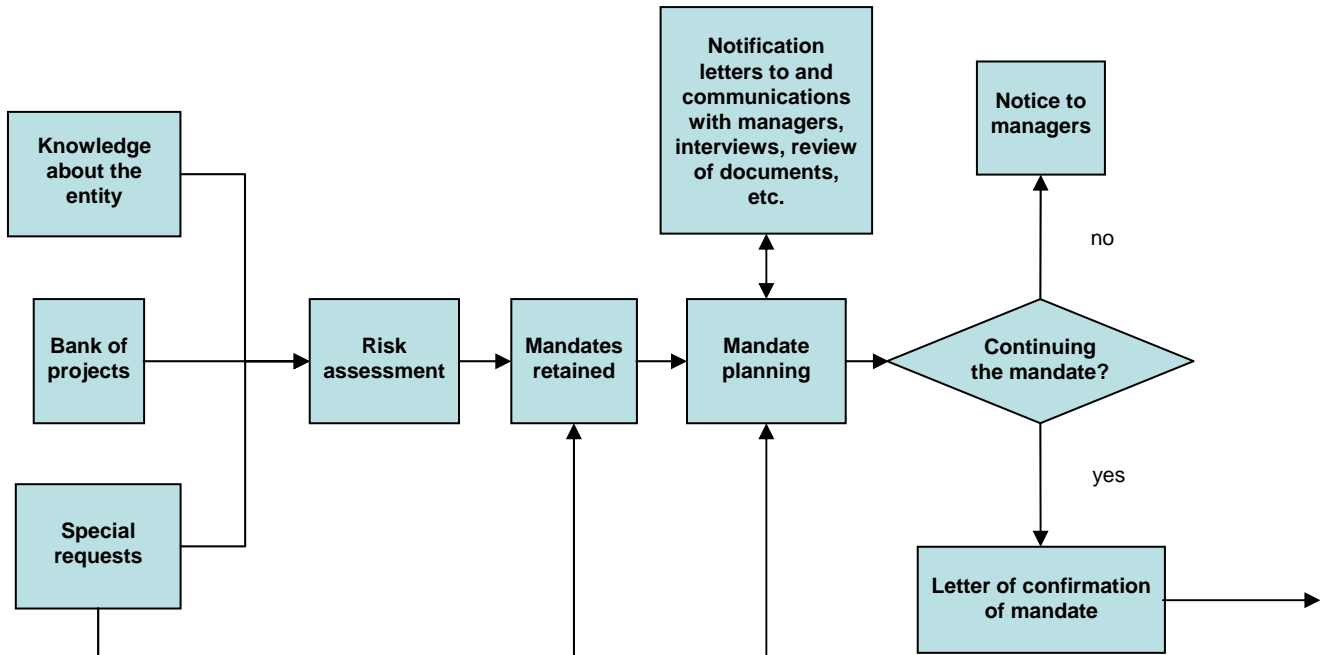
<p>General Auditor and Director Michel Doyon, CA, MBA, CIA</p>	<p>Executive secretary Josiane Mauriello</p>		
<p>Director, Financial and IT Audits Denis Savard, CA, MBA</p>	<p>Administrative support France Benny</p>		
<p>Division heads Denis Blouin, CA Fernande Désormeaux, CGA (January–August) Robert Duquette, CA Denis Tremblay, CGA</p>	<p>Programmer Yolaine Levasseur</p>		
<p>Audit agents and advisors</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>Martine Beauregard, CGA Régent Bilodeau, CGA Johanne Boudreau, BAA Jacques Brisson, CA, CISA Maryse Brunetta, CGA Marie Cormier, CA Julien Faucher André Gagnon, CMA, CISA (on union leave) Lucie Gauthier, BAA, CGA Bernard Goyette, CGA, CMA Gilles Grimard, CGA Jocelyne Laperrière, CA</p> </td> <td style="width: 50%; vertical-align: top;"> <p>Marcel Laplante (January–August) Nicole Larivière, BAA Éric Laviolette, CA Ngoc Le Quang, MMS (January–June) Chantal L'Heureux, CGA Joanne Major, CA Victor Marchand, CGA, CISA Philippe Pitre, BAA Michel Proulx, CGA Ronel Rocher, CGA André Sergerie, CA André St-Pierre, CGA (on union leave)</p> </td> </tr> </table>		<p>Martine Beauregard, CGA Régent Bilodeau, CGA Johanne Boudreau, BAA Jacques Brisson, CA, CISA Maryse Brunetta, CGA Marie Cormier, CA Julien Faucher André Gagnon, CMA, CISA (on union leave) Lucie Gauthier, BAA, CGA Bernard Goyette, CGA, CMA Gilles Grimard, CGA Jocelyne Laperrière, CA</p>	<p>Marcel Laplante (January–August) Nicole Larivière, BAA Éric Laviolette, CA Ngoc Le Quang, MMS (January–June) Chantal L'Heureux, CGA Joanne Major, CA Victor Marchand, CGA, CISA Philippe Pitre, BAA Michel Proulx, CGA Ronel Rocher, CGA André Sergerie, CA André St-Pierre, CGA (on union leave)</p>
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**VALUE-FOR-MONEY AUDITS
FLOW CHART**

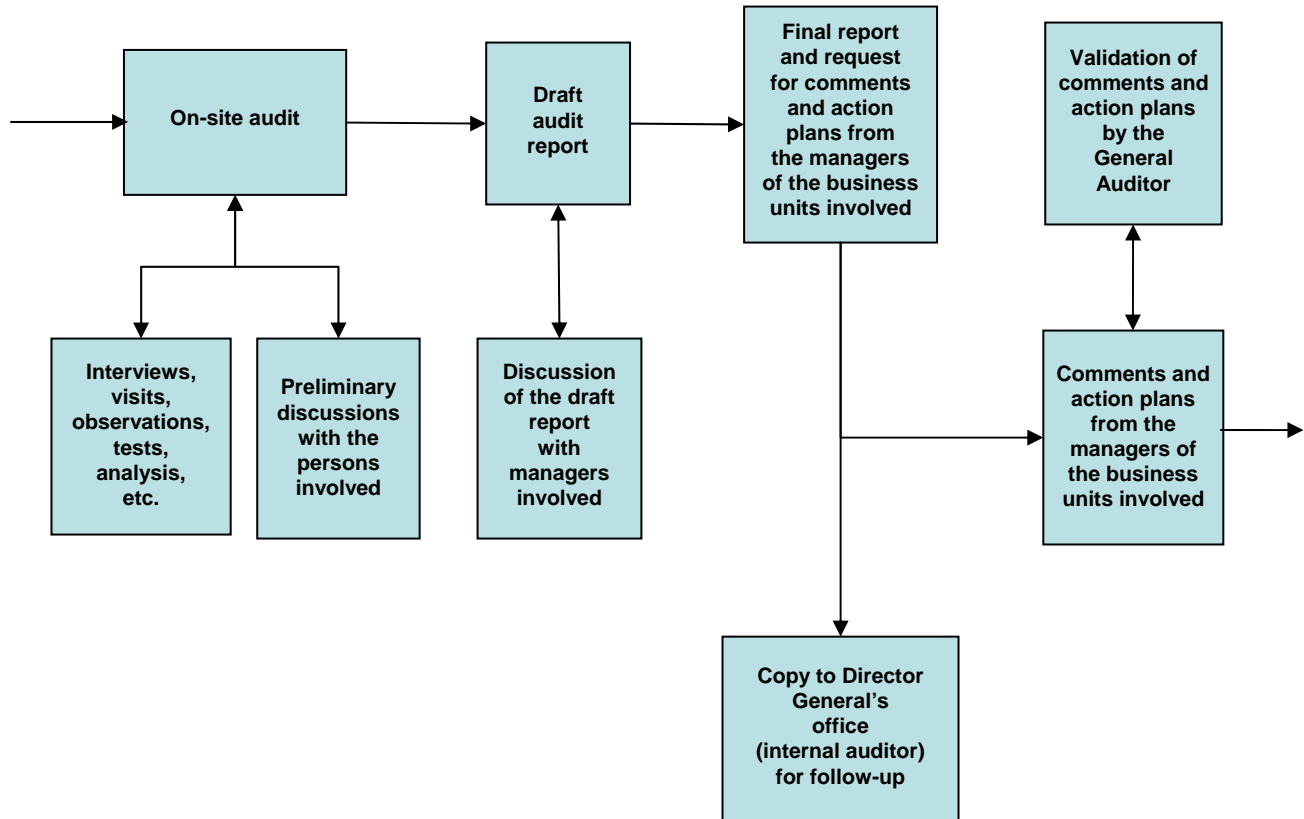
Planning

Annual

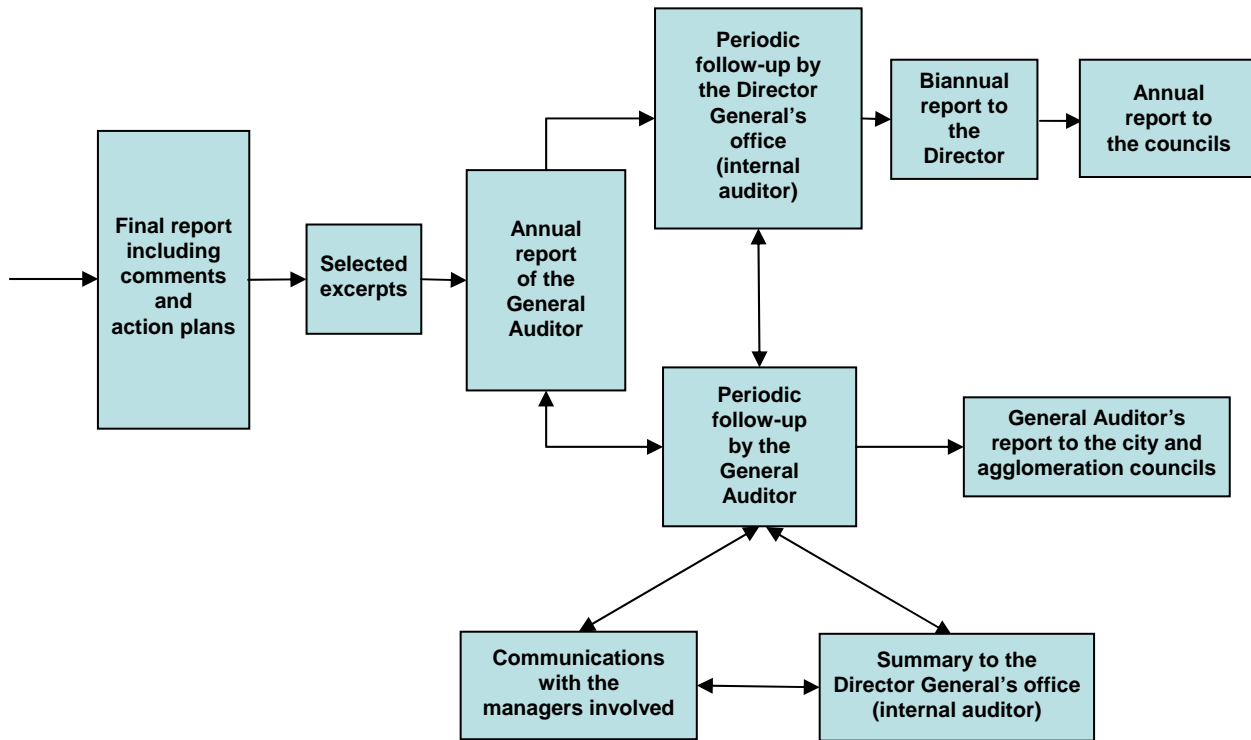
Mandates



Auditing and Report



Annual report and follow-ups



Schedule of Expense Accounts

**Office of the General Auditor of the
Ville de Montréal**

December 31, 2008

Auditors' Report

To the Mayor,
the Chairman and Members of the Executive Committee,
the Members of the Council of the Ville de Montréal,
the Members of the Montréal Agglomeration Council

In compliance with the provisions of section 108.2.1 of the *Act respecting cities and towns*, we audited the expense accounts related to the Office of the General Auditor of the Ville de Montréal ("the City") for the year ended December 31, 2008. This financial information is the responsibility of the City's administration. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, these expense accounts, in the amount of \$4,663,036, present fairly, in all material respects, the costs incurred by the Office of the General Auditor of the City during the year ended December 31, 2008 in accordance with generally accepted principles for local governments published by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, as described in Note 2 to the financial statements of the City.

*Samson Bélair/Deloitte & Touche s.e.n.c.r.l.*¹

March 13, 2009

¹Chartered accountant auditor permit No. 18190

**OFFICE OF THE GENERAL AUDITOR OF THE
VILLE DE MONTRÉAL**

Schedule of Expense Accounts

year ended December 31, 2008

(in thousands of dollars)

	Budget ⁽¹⁾	Actual	Actual
	2008	2008	2007
	\$	\$	\$
Compensation of personnel			
Salaries	2,730	2,722	2,656
Fringe benefits	789	741	707
	3,519	3,463	3,363
Professional, technical and administrative services	784	696	595
Other operating expenses	553	504	471
TOTAL	4,856	4,663	4,429

⁽¹⁾ Approved budget, as modified, presented in the accounting system of the Ville de Montréal for the Office of the General Auditor and approved by the executive committee of the Ville de Montréal.

This schedule of expense accounts of the Office of the General Auditor of the Ville de Montréal was prepared in accordance with Canadian generally accepted accounting principles for local governments published by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, according to the same accounting policies described in Note 2 to the financial statements of the Ville de Montréal for the year ended December 31, 2008.