

**AUDITOR GENERAL OF THE VILLE DE MONTRÉAL  
PUBLISHES HER 2019 ANNUAL REPORT**

**“An objective and independent view of the quality of public funds management”**

**Nine financial audit reports, one mandate on compliance with laws and regulations,  
and 10 performance audits**

**Montreal, June 16, 2020** – The Auditor General of the Ville de Montréal, Mrs. Michèle Galipeau, tabled her 4th Annual Report at city council yesterday in accordance with the provisions of the *Cities and Towns Act* (CTA). The *Report of the Auditor General of the Ville de Montréal for the Year ended December 31, 2019* presents the results of financial audits, compliance with laws and regulations, performance audits and information technology (IT) audits.

*“As with many organizations, the COVID-19 crisis compelled our office to switch quickly to telework in order to complete its audit work and to ensure the presentation of an objective and independent look regarding the management of public funds.”* Auditor General Galipeau said this morning in her presentation to the members of city council. *“We have adjusted our processes and have shown great flexibility. I would like to thank all the members of my team and wish to emphasize their agility, dedication and adaptability during these exceptional circumstances. Obviously, this crisis will influence how we work, but will also affect the choice of mandates we will conduct in the future.”*

For 2019, the Auditor General issued unqualified auditors’ reports for the consolidated financial statements of the Ville de Montréal (the City), in the table of mixed expenditures as well as for the five organizations for which the Bureau du vérificateur général de Montréal (BVG) has elected to conduct audits, in accordance with the CTA. The report also submits the result of the work performed by the BVG for the 235 organizations that have received at least \$100,000 in subsidies from the City, for a total of \$112.8 million. The report also shows the results of 10 performance and IT audit missions, including an audit pertaining to Logical Penetration Tests, the details of which are not disclosed.

## **1. Compliance and Safety Management of Petroleum Storage Tanks**

Operations at petroleum product tanks belonging to the City are not carried out in full compliance with the provisions of the law. In light of the sites analyzed in the business units that were audited, the BVG noted, among other things, the lack of certain permits to operate high-risk petroleum product tanks, incomplete documentation at some sites, including at least one high-risk petroleum tank, the lack of a plan to manage the obsolescence of tanks and insufficiently planned and documented preventive maintenance. Whereas zero risk does not exist, the City would not be able to show with accuracy the rigour with which it has acted as the owner responsible for a petroleum product tank in the event of an incident.

## **2. Protection of Natural Environments**

The City still has substantial work to do in terms of investments to reach the protection target for land-based natural environments as contained in the *Schéma d'aménagement et de développement de l'agglomération de Montréal*. Although the investments authorized by the City will make it possible to make planned acquisitions, the full potential of the protection of natural environments is not known, and many natural environments do not have a conservation status. The City's strategy for reaching its objectives lacks precision regarding actions required for every natural environment deemed worthy of protection. Furthermore, it does not specify the role that the boroughs and related municipalities must play in order to reach these goals. The urban agglomeration council has not undertaken any accountability with respect to reaching the target. But beyond attaining this target, the City must do whatever is necessary to maintain the ecological value of these protected environments, both from a financial standpoint and from a planning and management point of view.

## **3. Management of the *Climate Change Adaptation Plan (CCAP)***

In December 2015, in order to address the consequences of climate change, Montréal's urban agglomeration council adopted the *Climate Change Adaptation Plan 2015-2020*, which includes adaptation measures that services, boroughs and related municipalities must implement.

In light of the only official assessment produced in October 2019, the BVG finds it difficult to get a glimpse of the overall picture and to know precisely to what degree the adaptation measures and commitments have been put into effect. Management of the adaptation plan should be improved in various areas, notably clarifying the competences of the agencies involved, planning for the implementation of adaptation measures and commitments (e.g. methodology, efficiency evaluations, prioritization, targets and indicators), follow-ups, ensuring the development of knowledge and accountability.

The CCAP will soon expire. The effects of climate change are becoming increasingly serious, having an impact on the City's assets and activities. It is vital that the City's next Climate plan provides for the planning and implementation of concrete and structural adaptation measures that will yield quantifiable results. Its ability to ensure citizens services as well as their safety is at stake.

## **4. Management of Rolling Stock**

Given the importance of the vehicle fleet and equipment inventory, the City should first ensure that vehicle inventories match the ones in various databases as well as with the ones actually in the field. Even though there have been efforts to catch up with the accumulated obsolescence deficit of the rolling stock it owns, the City must first and foremost improve the availability and quality of data compiled for the entire vehicle fleet and equipment inventory, and as soon as possible. The City must put into place, as good practices require, mechanisms to identify vehicles in need of replacement, taking into account their use, their complete life cycle costs and their mission.

## **5. Human Resources Succession Management**

The City faces major issues in terms of labour force, as 25 % of its employees will be eligible for retirement over the next five years and a hike in voluntary departures and in the turnover rate has been observed.

Improvements must be made with respect to the formal communication of roles and responsibilities regarding management of labour force succession as well as availability and access to data and relevant indicators to diagnose vulnerabilities and training tailored to the needs of stakeholders involved. In addition, the City must draw up action plans in which measures are prioritized. Measurable goals must also be defined to assess whether the intended benefits have been attained by this process, and accountability mechanisms must be put into place.

Considering the magnitude of the workforce challenges and the current labour market context, it is time for a culture change. This change is necessary so that practices for managing the succession throughout all business units are conducted according to a forecasting and strategic model to ensure its sustainability and maintain delivery of services to citizens.

## **6. Management of the Municipal Housing Programs Stemming from the “Montréal Reflex” Framework Agreement**

The City’s special status granted by the Québec government gives the City enhanced autonomy and greater powers concerning housing, benefits contained in the sectoral agreement between the City and the Société d’habitation du Québec (SHQ). Consequently, the SHQ amended its intervention framework by transferring responsibility for budgets to the City to allow it to manage according to criteria that are adapted to its reality and to government policy for the AccèsLogis, Rénovation Québec and Residential Adaptation Assistance programs.

In recognition that social housing is a priority for the municipal administration, the BVG concludes that the City must receive from the SHQ the budget concerning the AccèsLogis program and needs to ensure that the organizations obtain the requisite external funding.

So as to avoid exposing the City to undue risk, improvements are needed in terms of project follow-ups, resource expertise, financial analysis and property management to ensure the sustainability of projects. Furthermore, management of the projects could be improved by subjecting them to the governance framework of the City’s projects and municipal-assets programs.

Lastly, having determined expected benefits regarding the transfer of budgets and responsibilities, the City needs to assess to what extent they have been attained and promote the creation of 12,000 affordable housing units.

## **7. Logical Access Management (SIMON, PAIE, OASIS)**

On the whole, the City manages logical access to the applications SIMON, PAIE and OASIS satisfactorily. The existing control mechanisms make it possible to limit the consequences of unauthorized or inappropriate access in addition to restricting the risks of fraud or collusion. On the other hand, it will have to monitor more closely transactions by employees who combine tasks that are incompatible and refine its framework.

## **8. Management of the Bureau de Projets**

The Bureau de projets of the Service des technologies de l’information (STI) has not adopted the framework necessary for the sound management of the City’s IT projects. Indeed, substantial improvements are required, notably with respect to roles and responsibilities, methodology of IT project management, training and accountability, as well as capacity management. These findings increase the

risk that management quality of IT projects may be uneven from one project to the next, that IT projects contain serious security deficiencies, that they do not meet the needs of promoters, that they lead to significant cost overruns or that they fail to meet scheduled deadlines. It is worth noting that 99 projects are expected for the Three-year capital expenditures program 2020-2022, with a budget of between \$83 million and \$89 million for each of those three years.

## **9. Shadow IT Management**

The concept of Shadow IT Management extends to, but is not limited to, the use of tools or applications unknown to the City's STI. The use of Shadow IT is usually a reflection of the inclination of users to believe that their IT management does not adequately meet their needs.

The City has not put into place control mechanisms to ensure sound management of Shadow IT. In the absence of governance or detection process for Shadow IT, the City has only a partial view of its use by business units and consequently cannot manage the risks associated with it. These findings, coupled with the fact that the City has fallen behind in delivering its technological projects, increase the likelihood that the business units will turn to Shadow IT solutions.

### **Follow-Up to the Implementation of the Recommendations**

Whether they are performance and IT audits or audits of financial statements, the implementation rate of follow-ups on recommendations during the first year by business units has continued to decline, despite follow-up mechanisms put into place by the Comptroller General and the Audit committee of the City.

With respect specifically to performance and IT audits, other than the fact that the implementation rate of recommendations is not attained by business units in the time allotted, the Auditor General notes that the proportion of recommendations resolved compared with those scheduled after the first year of follow-up is in decline since 2016, dropping from 41% in 2016, to 32% in 2017, and to 27% in 2018.

Financial audits present a similar story. The report shows that the proportion of recommendations resolved compared with those scheduled after the first year of follow-up is in decline since 2016, dropping from 45% in 2016, 20% in 2017, and only 8% in 2018. In fiscal 2020, when all control mechanisms will have been put into place by the Comptroller General, the BVG is optimistic that the rate of implementation of recommendations will improve. The Auditor General reiterates her recommendation to the municipal administration to institute performance indicators to measure the level of implementation of recommendations included in the Auditor General's audit reports and to conduct a follow-up.

### **Pre-Election Report**

On August 19, 2019, city council adopted resolution CM19 0930, mandating the BVG to audit the pre-election report that will be produced by the municipal administration in June 2021 and to submit its report no later than September 23, 2021. It should be noted that the file was publicly mentioned for the first time in January 2018.

The Auditor General indicated in her report that she had to intervene on several occasions, notably with the city council and the municipal administration, regarding pushing that issue forward. The Auditor General stresses that her office must be able to fulfill this mandate in compliance with Canadian standards for certification engagements by the Auditing and Assurance Standards Board of CPA Canada. She must also take all necessary precautions, as prescribed by the CTA, to ensure that this mandate does not contravene her main responsibilities or interfere with her independence.

As pointed out in the context of the 2020 budget, the “pre-election report will be a new tool for budget transparency that will supplement the 2021-2022 budgetary process” and “this audited report, tabled before the election, will allow municipal parties to offer programs that are aligned with the City’s financial situation.”

This report that will inform elected officials of all political parties on the City’s financial situation, therefore, must be useful and respond to the request by the city council. To that end, the Auditor General believes that a template of this report must be submitted by the Service des finances to city council for approval.

### **Accountability**

The Auditor General emphasizes that over the last four years, several of the BVG’s performance audit reports have mentioned recommendations aimed at improving accountability. She notes that the BVG has made 34 recommendations to that effect in 22 performance audit reports out of 37, or nearly 60% of reports issued between 2016 and 2019. At the time this report is being produced, a mere seven recommendations have been put into effect.

However, accountability provides information on the municipality’s goals and measures results obtained to that effect. It provides an assessment in relation to the City’s strategic engagements as well as divulge relevant information to keep all elected officials and citizens properly informed. Proper accountability conducted in a timely manner makes it possible to gain a better understanding of operations, to make better informed decisions and, as a result, to make the adjustments required to meet the City’s commitments to its citizens, as well as reassure them about the management of public funds.

### **About the BVG**

The *Report of the Auditor General of the Ville de Montréal for the year ended December 31, 2019* is available at [bvgmtl.ca](http://bvgmtl.ca). Please note that the “View our latest report” tab refers to the full report and that, in order to obtain the report by sections, it is necessary to click on the tab *Our reports > Annual reports > 2019*.

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