



7.

Overview of the Bureau du vérificateur général

2019 Annual Report

Auditor General of the Ville de Montréal



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7. OVERVIEW OF THE BUREAU DU VÉRIFICATEUR GÉNÉRAL

This chapter presents the highlights of the results obtained for the year 2019 regarding the performance of the Auditor General's mandate and the utilization of resources for this purpose. More specifically, we present different indicators so the reader can appreciate the performance of the Bureau du vérificateur général (the Bureau).

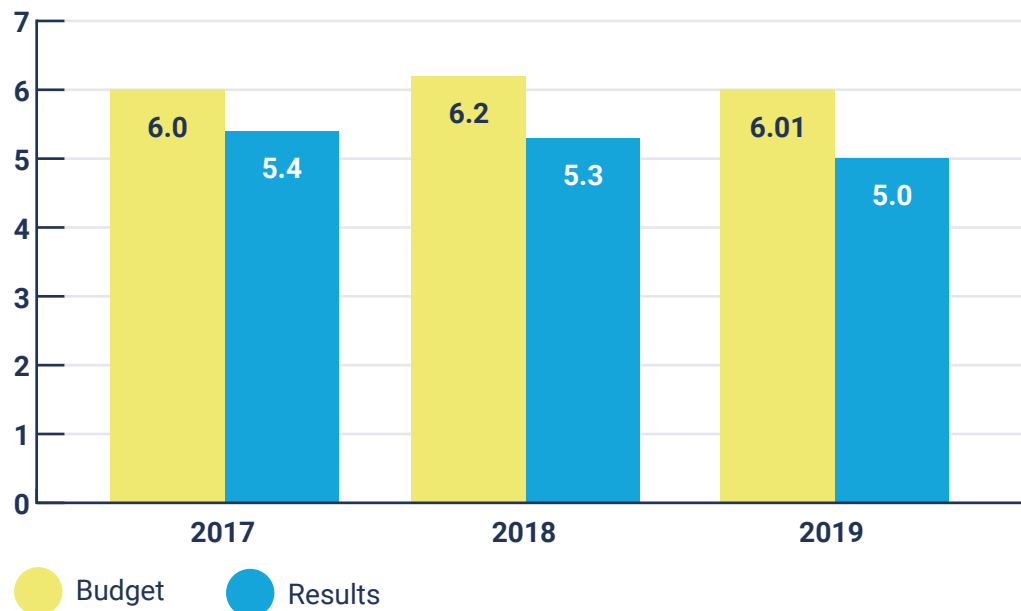
The indicators presented are:

- The financial results;
- The number of audit reports issued;
- Human resources:
 - Current and future staff portrait,
 - Use of time,
 - Staff turnover rate,
 - Absenteeism rate,
 - Average number of hours and cost of training,
 - Equal access to employment;
- Professional service contracts;
- Accountability regarding allegations;
- Accountability regarding requests for access to information.

7.1. Financial Results

For the year 2019, the Bureau's operating expenses amounted to \$5 million, compared to the budget of \$6.01 million. This favourable variance is explained, in particular, by staff movements: previously vacant positions were filled during the second half of 2019, one employee took maternity leave, two employees went on sick leave and two staff members departed. On the other hand, during the second half of 2019, we staffed four positions with external resources: two lead auditor positions for the Information Technology (IT) audit, two new financial audit advisor positions, as well as the lead auditor position, which was left vacant following the departure of an employee last June. In addition, two Bureau employees were promoted. Figure 1 shows the Bureau's financial results for the past three years.

Figure 1 – **Budget and Financial Results**
(in millions of dollars)



In accordance with the provisions of section 108.2.1 of the *Cities and Towns Act* (the CTA), the Auditor General accounts for the year ended December 31, 2018, were audited by an independent auditor mandated by the Ville de Montréal (the City). The report of the independent auditor is presented in Appendix 9.2.

7.2. Number of Audit Reports Issued

Table 1 details the number of reports issued over the past few years for audits of the financial statements, regulatory compliance, as well as a performance audit (PA) and IT.

Table 1 – **Number of Audit Reports Issued from 2017 to 2019**

REFERENCE ANNUAL REPORT	FINANCIAL STATEMENTS	COMPLIANCE	PA AND IT	TOTAL NUMBER OF AUDIT REPORTS
2017	17	2	9	28
2018	9	1	11	21
2019	9	1	10	20

The reduction in the number of reports issued since 2017 is primarily attributable to the implementation of new procedures pursuant to the adoption of Bill 155 in April 2018. Following our analysis, we considered it appropriate to continue our financial audit for the City and for 5 of the 11 organizations in the reporting entity. This approach was maintained for 2019. As a result, our budget has been reduced by \$390,500 since 2018 to reflect this new reality.

7.3. Human Resources

The Bureau is known for its high-quality work, and its extensive competencies and broad experience are a major asset for giving elected officials and citizens an objective and independent view of how well public funds are being managed. The Bureau is comprised of some thirty qualified professionals, including accountants, a forensic accountant, an engineer, a lawyer and specialists in business administration and IT. The Bureau's staff hold a variety of certifications, such as public accountant (CPA), financial auditor (CPA, auditor), internal auditor (CIA), information systems auditor (CISA), law (lawyer) and engineer (Eng.).

The Bureau's philosophy is, on the one hand, to have an internal core of experienced professionals who, collectively, have expertise in the City's various spheres of professional activities related to the financial, the performance audit and the statutory and regulatory compliance audit. On the other hand, we enlist qualified external resources to meet our specific needs for highly specialized expertise to spread the workload inherent in the peak period related to audits of the financial statements of the City and the organizations for which the Auditor General considers it appropriate to continue work and sometimes to provide temporary coverage for leaves or vacancies.

7.3.1. Workforce Trends and Status

Table 2 presents the workforce trends as of December 31 of the years 2017 to 2019.

Table 2 – **Workforce Trends as of December 31 of the Years 2017 to 2019**

YEAR	TOTAL EMPLOYEES
2017	29
2018	28
2019	30

There were 30 employees as of December 31, 2019. In the course of the year, two staff members left and four new staff members were hired at the Bureau: two new staff members joined the IT audit team, and two new staff members joined the financial audit team. In addition, two Bureau staff members moved up to more senior positions.

Table 3 illustrates the workforce status of the Bureau by directorate and in relation to authorized and filled positions as of December 31, 2019.

Table 3 – **Workforce Status as of December 31, 2019**

DEPARTMENT	AUTHORIZED POSITIONS	FILLED POSITIONS	POSITIONS TO BE FILLED
Bureau de la vérificatrice générale	4	3	1
Financial Audit and Administration	13	12	1
Pre-election report	1	1	
Performance and Compliance Audit	11	9	2
Information Technology Audit	7	5	2
TOTAL	36	30	6

In 2018, we began to implement a strategic plan that led us to question the Bureau's organizational structure and to review our needs in terms of staffing and succession planning. This plan was completed in early 2019, and a follow-up is presented in chapter 8.

Consequently, the Bureau's organizational structure was reviewed in 2019, and four new positions were created: one lead auditor position within the performance and compliance audit department, two advisor positions within the financial audit and administration department and one advisor position at the IT audit department. As a result of internal promotions, one advisor position at the IT audit department and one officer position within the financial audit department became vacant. We also assigned one staff member of the financial audit department to the department responsible for the pre-election report. Finally, the position of forensic accountant was abolished in the course of the year.

Table 4 shows staffing changes at the Bureau for each department as well as by position status in 2019.

Table 4 – Staffing Changes in 2019

DEPARTMENT	POSITIONS AS OF DECEMBER 31, 2018	POSITIONS CREATED	TRANSFER	POSITION ABOLISHED	POSITIONS AS OF DECEMBER 31, 2019
Bureau de la vérificatrice générale	5			1	4
Financial Audit and Administration	12	2	(1)		13
Pre-election report			1		1
Performance and Compliance Audit	10	1			11
Information Technology Audit	6	1			7
TOTAL	33	4	-	1	36

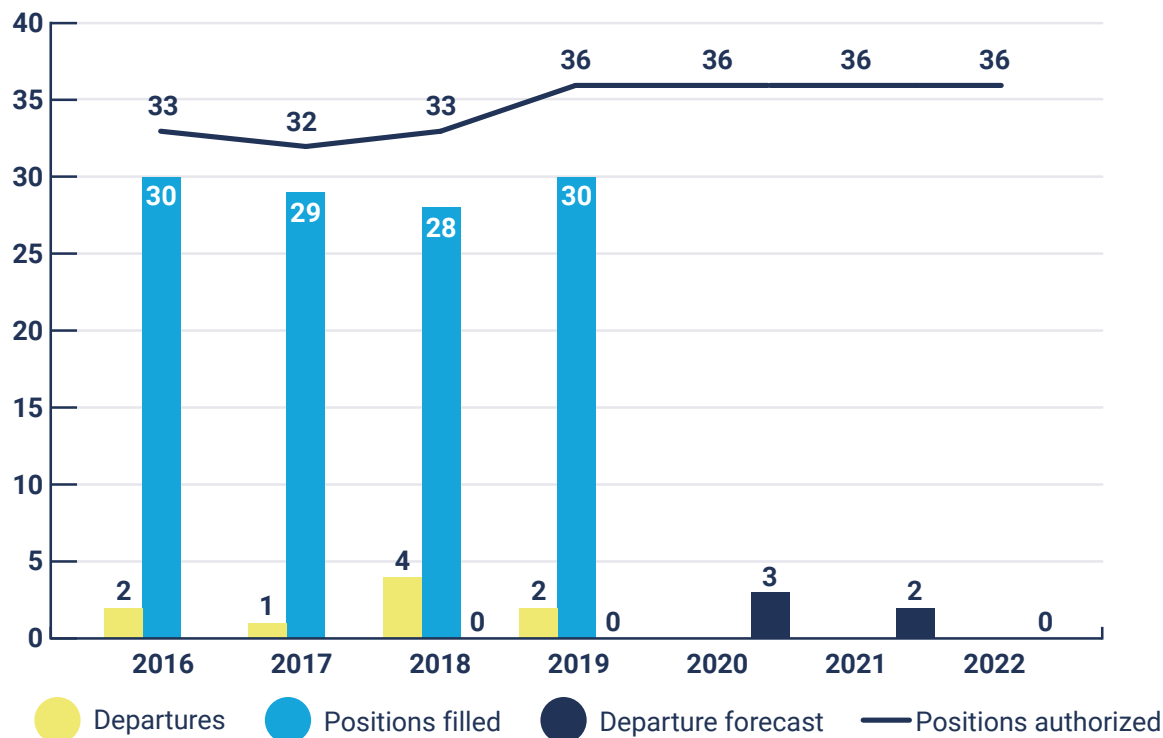
At the end of 2019, we had six vacant positions, compared to five last year. The higher number of vacant positions is essentially due to the creation of four positions, which had still not been filled as of December 31, 2019, and to internal promotions that left two positions vacant.

However, over the first few months of 2020, two lead auditors within the performance audit department took office, as well as one executive assistant of the Bureau. In addition, the two vacant positions within the IT audit department were being filled as this annual report was going to press.

We hope that these new recruits will help establish the next generation of auditors and compensate for the imminent retirement of some of the Bureau's experienced staff members.

Figure 2, Workforce Evolution and Forecasting for 2016 to 2022, reveals the importance of immediately implementing a succession plan that was prepared over the past two years to prepare workforce training and thereby ensure that the Bureau maintains its level of expertise.

Figure 2 – **Evolution and Forecasting of the Workforce from 2016 to 2022**



Recruitment efforts made in 2018 and 2019 have started to pay off, even though as of December 31, 2019, the situation remained as follows:

- As of December 31, 2019, six positions were vacant; however, as of the date of publication of this report, some positions had already been filled;
- Between now and the end of 2022, five departures are expected, including one of the four staff members of the Bureau’s management.

7.3.2. Use of Time

Figures 3 and 4 present the breakdown of total hours and hours worked of the Bureau's members for the past three years.

Figure 3 – Breakdown of Total Hours

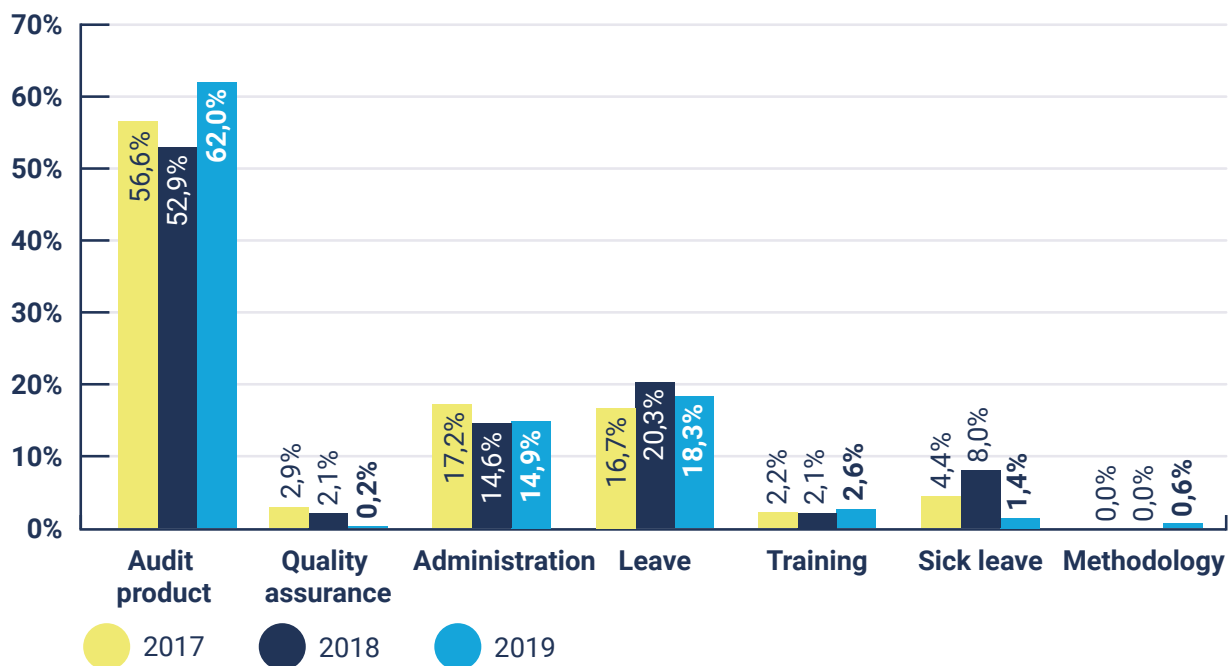
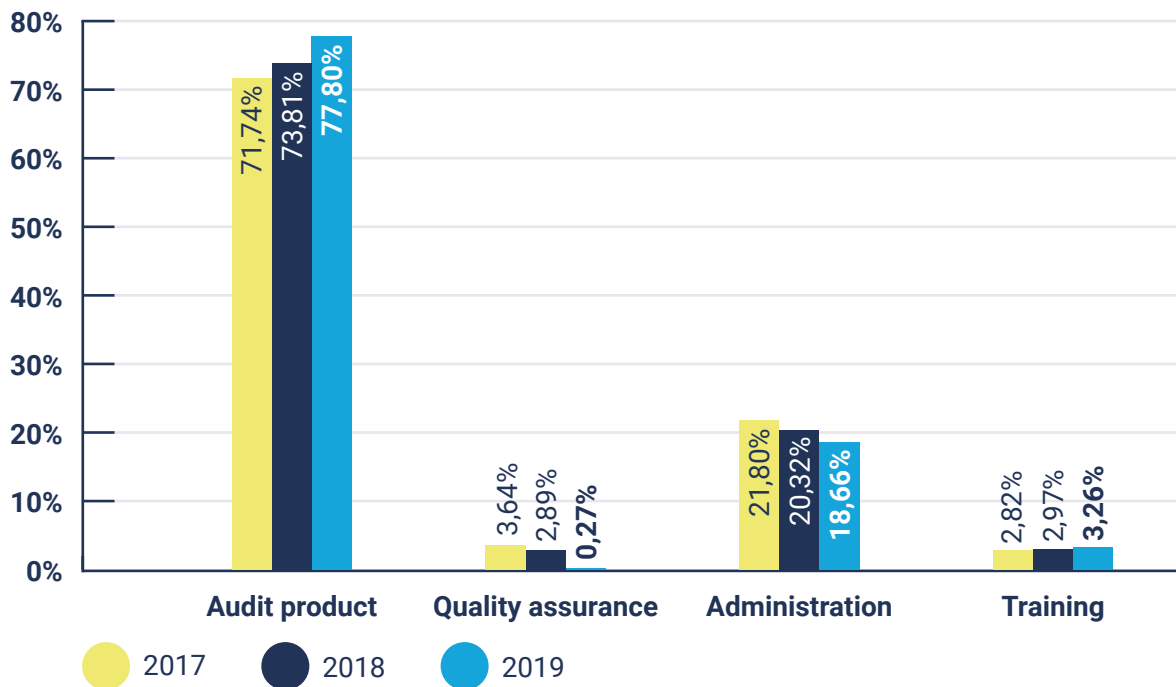


Figure 4 – Breakdown of Hours Worked, by Activity



Audit product: includes auditing the financial statements as well as compliance, value-for-money and information technology audits.

Quality assurance: includes the time devoted to quality control of audit engagements, both during the engagement and after the fact, which control is exercised pursuant to the standards in force.

Administration: includes general administration, meetings, financial management, human resources management, goods and services acquisition, IT support and secretarial tasks.

The results presented in Figure 4 show a slight 1.7% decrease between 2018 and 2019 in terms of hours worked on administration activities.

The decrease in the number of hours worked in quality assurance is explained by the maternity leave of one staff member in 2019. These hours were worked by external consultants, which enabled us to comply with CPA Canada auditing standards.

Other indicators related to the use of time and the staff turnover rate are presented in Tables 5 to 7.

7.3.3. Staff Turnover Rate

Table 5 – **Staff Turnover Rate**

	2017	2018	2019
Turnover rate	3.4%	14%	6.9%

The calculation of the staff turnover rate includes retirements, resignations and departures by transfer to another department or borough of the City. As mentioned earlier, there were four departures during 2019.

7.3.4. Absenteeism Rate

Table 6 – **Absenteeism Rate**

	2017	2018	2019
Absenteeism rate	3.9%	8.0%	1.4%

The absenteeism rate increased by 6.6% between 2018 and 2019 mainly due to a return to work after long-term sick leaves.

7.3.5. Number of Hours and Cost of Training

Table 7 – **Number of Hours and Cost of Training**

	2017	2018	2019
Average hours of training per employee	41	39	47
Training cost to payroll ratio	2.9%	2.8%	3.5%

As recommended in the strategic plan, staff training is a priority for the Bureau, and the average number of hours devoted to training therefore rose from 39 to 47. The ratio of training costs to payroll expenditures in accordance with the *Act to promote workforce skills development and recognition* rose by 0.7%. Note that the objective for all city operations is 1%.

7.3.6. Equal Access to Employment

Like the City, the Bureau pays special attention to questions of equal access to employment. The breakdown of the representation of target groups in the *Act respecting equal access to employment in public bodies*, as of December 31 of the past three years, is presented in Table 8.

Table 8 – Representation of Target Groups

TARGET GROUP	2017	2018	2019
Men	41.4%	39.3%	40%
Women	58.6%	60.7%	60%

TARGET GROUP	2017	2018	2019
Aboriginal peoples	0.0%	0.0%	0.0%
Visible minorities	6.9%	7.14%	3.33%
Ethnic minorities	6.9%	3.57%	3.33%
TOTAL	13.8%	10.71%	6.66%

We note that female representation on our staff improved considerably during this period. We now have 20 women on our staff of 30 employees.

7.4. Professional Service Contracts

Professional fees are the second-largest expense, after compensation and benefits. The Bureau hires professionals to meet temporary labour requirements during the peak financial statement period or to temporarily fill in for people on vacation or fill vacancies and to have access to highly skilled experts specialized in areas related to our audit topics or for administrative purposes. Finally, because our Bureau’s administrative management operates at arm’s length from the City, contracts have been awarded to support our infrastructure. Professional fees as of December 31, 2019, were \$506,584 (\$806,988 in 2018) (see the breakdown in Table 9).

The CTA (CQLR, c. C-19) authorizes the Auditor General to conclude contracts for the purpose of acquiring goods or providing services. Consequently, because of her particular role, her mission, and the nature of her duties, the Auditor General maintains independence in relation to contracting processes. However, the Auditor General has a desire to be subject to the legislative and regulatory standards applicable to the City in the area of contract management, subject to exceptions, which must nevertheless be justified, if the need arises.

Table 9 – Professional Fees

DIRECTIONS	2019	2018
Financial Audit	27.5%	44%
Performance audit and statutory and regulatory compliance	19.3%	13%
Information Technology audit	22.4%	10.4%
Administrative	30.8%	32.6%

7.5. Professional Inspection

In September 2019, the Bureau was inspected by the Ordre des comptables professionnels agréés du Québec (OCPAQ) in accordance with the *Regulation respecting the professional inspection committee of the Ordre des comptables professionnels agréés du Québec* and the program for general supervision developed by the committee under section 12 of the Regulation and approved by the Board of Directors of the OCPAQ.

The inspection focused on the documentation of our quality control system, on reports of our last cyclical inspections, and on issues related to the practice of the profession in the areas of financial, compliance and performance audits. The inspection committee concluded that the Bureau fulfilled the requirements of the professional inspection program in all material aspects.

7.6. Accountability Regarding Allegations

Allegations can be submitted to the Bureau by email, by mail, by telephone or in person. It should be noted that the Bureau has an email box that was created specifically for this purpose; it is highly secure because it is hosted by a messaging service outside the City.

Allegations are processed according to priority criteria, such as the nature of the claim and the degree of risk involved. A well documented and highly secure file is created for every allegation.

All other allegations that we receive undergo a preliminary evaluation to determine whether an investigation should be initiated, based on the nature of the claim, the probative value of the information provided and the risks involved. However, a preliminary evaluation is not conducted if the subject of the allegation does not fall within the Auditor General's purview or if the allegation is not substantial enough to warrant further investigation. Depending on the circumstances, such matters may be transferred to another City entity or closed without any further action being taken.

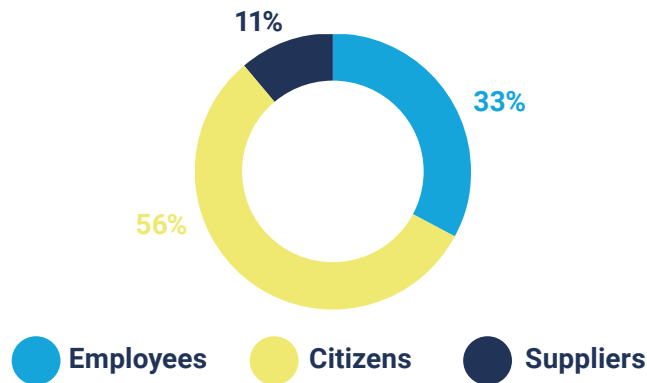
If an investigation is warranted, it will be conducted in accordance with recognized investigative and forensic accounting practices. Once the investigation is completed, a report may be produced and sent to the municipal administration. In cases where there is evidence of criminal wrongdoing, our findings are reported to the competent authorities.

In 2019, we received 9 allegations, and 89% of the allegations were addressed in the course of the year. They were closed for the following reasons:

- Investigation completed (4 allegations);
- Transfer to another body, because the allegation was outside of the Auditor General's purview (4 allegations).

Figure 5 presents the sources of the allegations received.

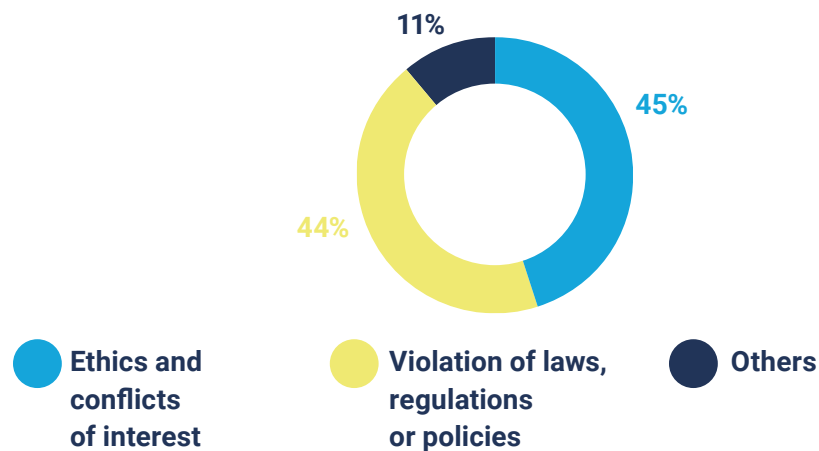
Figure 5 – **Overview of Allegations Received in 2019 By Source**



It is important to remember that we guarantee confidentiality to whistleblowers who agree to reveal their identity and that the *Public Protector Act* protects the confidentiality of whistleblowers. Furthermore, the provisions of section 107.16 of the CTA ensure that the Auditor General cannot be forced to make a statement about information she obtained in the performance of her duties or to produce a document containing such information. This Act is supplemented by the provisions of section 41 of the *Access to Information Act*.

In Figure 6 we compiled the allegations received for each category of alleged wrongdoing.

Figure 6 – **Overview of Allegations Received in 2019 By Category**



7.7. Accountability Regarding Requests for Access to Information

Since the adoption of Bill 155, requests for access to information that concern the Auditor General have had to be sent to her directly. In 2019, we did not receive any requests for access to information.

7.8. Technological Infrastructure

The Bureau has servers that are separate from the City's. For several years, the Bureau has had an infrastructure that enables all its employees to work remotely. In addition, we make sure every year that this network is secure. As a result, during the COVID-19 crisis, we quickly managed to implement the necessary measures to enable all of the Bureau's employees to work remotely in complete safety.

7.9. Promotion

Several members of the Bureau participate in various working groups, committees and boards of directors of organizations associated with our profession. This gives them an opportunity to be key actors in the advancement of our profession and be on the lookout for changes that will impact our work in the future.

Table 10 – **Promotion Activities**

	BODY	MEMBER
Annie Cédillotte, <i>Chief Auditor – Financial Audit and Administration</i>	Ordre des CPA du Québec	<ul style="list-style-type: none"> • Technical Working Group – Certification
France Lessard, <i>Assistant Auditor General – Financial Audit and Administration</i>	Ordre des CPA du Québec	<ul style="list-style-type: none"> • Sectoral working group – Municipal Administration
Kim Tardif, <i>Officer in charge of Quality Assurance and Professional Practices</i>	Ordre des CPA du Québec	<ul style="list-style-type: none"> • Technical Working Group – Certification Reports • Technical Working Group – Accounting in the Public Sector
Michèle Galipeau, <i>Auditor General</i>	Canadian Audit and Accountability Foundation	<ul style="list-style-type: none"> • Board of Directors • Governance Committee • National Capacity Building Committee
	CPA Canada	<ul style="list-style-type: none"> • Public Sector Accounting Board (PSAB)
	Association des vérificateurs généraux municipaux du Québec	<ul style="list-style-type: none"> • Board of Directors

We encourage our employees to pursue these activities, which promote not only the Bureau, but also the profession of municipal legislative auditor.

