



1.

Observations of the Auditor General

2021 ANNUAL REPORT
Auditor General of the Ville de Montréal

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1. Observations of the Auditor General

The Bureau du vérificateur général (BVG) is dedicated to delivering **“an objective and independent look at the quality of the management of public funds.”**

This sixth report that I am submitting to city council presents the results of the important work carried out by the BVG team. I wish to thank all the team members for their quality work.

I am beginning my seventh and final year as Auditor General of the Ville de Montréal (the City). I consider that planning for the successor to my position should be undertaken in the coming year to ensure an adequate transfer of knowledge of the complex organization that is the City and of the entities that are part of the auditor general’s area of activity.

Recommendations Late in Being Implemented

Following up the implementation of the recommendations contained in our reports is one way to measure the extent to which the business units have complied with their commitments. For more than six years, the majority of commitments have clearly not been honoured, despite the City’s putting in place measures in recent years, including all action plans being approved by the Direction générale prior to being sent to the Auditor General, a resource being hired by the Bureau du contrôleur général whose duties include aspects related to this process, and the naming and training of coordinators for each business unit. Add to this the review and optimization of our practices and our involvement in training the various stakeholders concerned.

While certain delays can be attributed to the pandemic of the past 2 years, more than 37% of the recommendations resolved in 2021 had action plans whose timelines dated back more than 2 years. Furthermore, at December 31, 2021, more than 75% of the open recommendations were late in being implemented compared with the commitments made by the business units – more than 2 years late in 36% of cases.

As for the action plans that had expired more than 5 years earlier, the validation exercise we conducted in the fall of 2021 with the business units showed that almost 87% of them are still relevant. These recommendations stemmed from shortcomings observed and noted in reports issued between 2009 and 2015.

This situation is unacceptable. I reiterate my recommendation, therefore, to the Direction générale to equip itself with indicators to follow up the commitments of the business units regarding the implementation of our recommendations.

Five-year Trends That Persist

Beyond the delays in the individual implementation of recommendations, I noticed again this year the same trends as last year. The City needs to explore them with a comprehensive view to developing solutions aimed at improving its practices and optimizing its management of public funds.

1.1. Accountability

Accountability is a fully transparent mechanism that enables decision makers to have a better view of operations, measure the impact of the choices that they have made, and take corrective action, when needed, to achieve the planned objectives and targets.

Last year, I mentioned that 61% of the audit reports in the past 5 years contained recommendations aimed at improving accountability. Again this year, this is the most common type of recommendation, found in 44% of reports we issued. Over a 5 year period, i.e., 2017 to 2021, 56% of the reports we issued contained a total of 46 recommendations for improving accountability.

1.2. Documentation

In the past 5 years, we issued recommendations in 42% of our reports aimed at improving the documentation of actions taken and processes used by the business units, an increase of 3 percentage points compared with the period 2016–2020. Documentation is crucial. It is the memory of the business units. It not only ensures business continuity but also preserves the traceability of actions taken.

1.3. Data Control Mechanisms

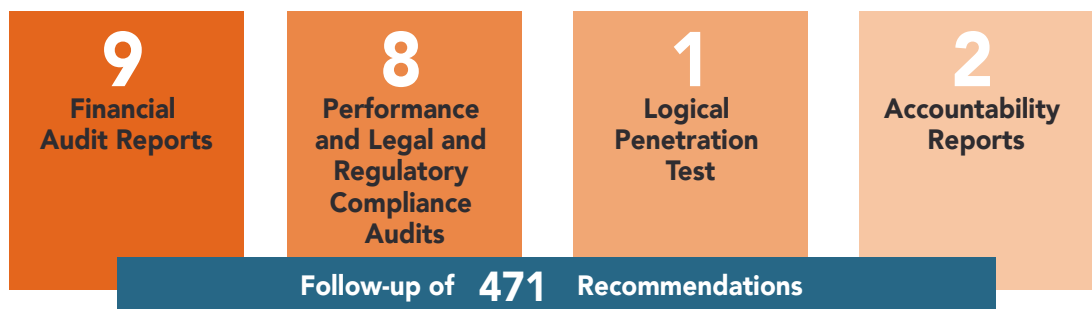
In 38% of the reports issued between 2017 and 2021, up 3 percentage points from the period 2016–2020, we made recommendations regarding the implementation of control mechanisms for data generated and used by the business units as part of their activities. Throughout the lifecycle of a project or program, be it follow-up or accountability, decisions are made based on the data collected. It is vital that the inputs used be reliable and of quality to ensure proper decision-making.

1.4. Legal and Regulatory Compliance

Compliance with the City's policies and by-laws continues to be the subject of recommendations made by us. We noticed that 34% of the reports issued between 2017 and 2021 contained recommendations to this effect, a decrease of 1 percentage point compared with the period 2016-2020. A reminder here of the importance of all City employees complying with these by-laws and policies and ensuring that citizens, retailers and businesses interacting with the City do the same.

1.5. Summary of the Audits Conducted in 2021

OUR YEAR 2021



89% of Targets in the 2019-2023 Strategic Plan Achieved

1.5.1. Financial Audit

The continuation of the Québec government's pandemic-related Emergency Assistance Program for Small and Medium-Sized Businesses (PAUPME) and the implementation of the increased requirements of revised standard CAS 540, "Auditing Accounting Estimates and Related Disclosures", continued to have an impact on our 2021 audit.

Financial assistance within the framework of the PAUPME, totalling \$67.1M at the end of 2020, rose to almost \$150M at December 31, 2021. Audits were again performed this year in coordination with the agencies of the PME MTL network, which was entrusted with managing the program and financial assistance by the City and their auditors.

We are also concerned about the loss of expertise in the Service des finances resulting from the departure of various people who were key in the preparation of financial statements, as well as the loss of experienced staff in other City departments involved in this process. This had an impact on the delivery schedule of documents and on the completion of our audit.

1. Observations of the Auditor General

At the time of producing the annual report, we still had not issued the joint auditor's report for the consolidated financial statements of the City at December 31, 2021, since the financial report will be tabled by the treasurer at the May 2022 session of the city council.

Unqualified auditor reports are issued jointly by the external auditor for the following agencies: the Société de transport de Montréal (2 reports), the Société d'habitation et de développement de Montréal, the Société du parc Jean Drapeau, the Agence de mobilité durable, and Transgesco.

A detailed summary of the financial audits can be found in Chapter 2.

1.5.2. Performance and Information Technology Audits

The full reports of the performance and information technology (IT) audits are presented in Chapter 3 of this report.

Management of the Information Technology Used to Work Remotely

On March 13, 2020, government guidelines to mitigate the risk of COVID-19 contamination imposed remote work. The City ensured the sound management of the information technology used to work remotely by quickly deploying all the necessary efforts to put in place the technological environment and security mechanisms required to allow all its employees (up to 4,500 simultaneously) to continue their professional activities from home.

Management of the Emergency Program for Small and Medium-Sized Businesses

In order to support businesses with cash shortages due to the COVID-19 pandemic, the Ministère de l'Économie et de l'Innovation (MEI) entrusted the management of the Emergency Assistance Program for Small and Medium-Sized Businesses (PAUPME) to the City, through a \$150M loan. In turn, the City delegated the management to the PME MTL network. The delegation to PME MTL does not relieve the City of its obligations to the MEI. As of September 30, 2021, 3,453 loans had been granted, for a total of \$117.6M. A review of the files of businesses that received a loan identified a lack of compliance with certain eligibility criteria, discrepancies in the assessment of the businesses' overall financial situation, failure to comply with the loan requirements of the MEI and the City, and irregularities in the disbursement of the financial assistance. The City did not provide adequate monitoring to identify these non-compliances. Finally, accountability is often inaccurate and limited to the volume of activity, which does not enable the City's decision makers to ensure the City's compliance with its obligations to the MEI.

Centralized Identity and Access Management

Centralized Identity and Access Management (IAM) is defined as all processes and tools used in the centralized management of users and their access rights to information systems and applications. In 2016, the City launched the GIA Citoyens project, which serves about 255,000 citizen accounts, and the GIA Employés project, which serves 30,200 employee accounts. In the case of GIA Citoyens, the process and control mechanisms put in place show sound management. In the case of GIA Employés, given that the project is being relaunched, our findings do not make it possible to conclude that this IAM ensures adequate risk management pertaining to the confidentiality, integrity and availability of data.

Plan d'action montréalais en itinérance

The goal of the 3rd *Plan d'action montréalais en itinérance* (PAMI) 2018–2020, adopted in March 2018, consisted of 40 actions to promote the maintenance and development of the services needed to improve living conditions and prevent homelessness. The City's efforts with respect to homelessness are commendable. However, given the measurement tools proposed in the PAMI, the lack of comparative data on met and unmet needs, and the limited number of impact indicators identified in the PAMI, it was not possible to assess the extent to which the expected benefits were achieved. Furthermore, our analysis could not confirm that the PAMI was implemented using a fair and impartial project selection process.

Management of Public Roadwork – Integrated Planning and Coordination Component

The City is known for the multitude of roadwork projects being carried out on the municipal road system. The planning and coordination processes for infrastructure projects are not effective in providing a comprehensive proactive view of all the roadwork and minimizing its impact. The roles and responsibilities of all the stakeholders in this process are not clearly defined, documented and communicated. There is no centralization of all the projects that could impede traffic since the boroughs do not systematically share the projects for which they issue permits. The planning process is not carried out within appropriate timelines to enable all planned projects to be completed. Finally, the City has established mobility corridors to limit roadwork and impediments, but the boroughs nevertheless issue permits to complete work in these corridors.

Management of the Quality of Geolocation Data

Access to geolocation data, such as the exact location of a sewer line, the date of its last inspection and an indication of its structural condition, is an asset for project planning and management at the City. Due to several deficiencies in the governance of the geolocation data, including with respect to the assignment of roles and responsibilities, the lack of defined minimum data quality criteria, and incomplete attributes for the geolocation data, not all the geolocation data made available to City employees is of good quality. In addition, due to the lack of an inventory of all geolocation data, not all the data is known and available to employees.

Management of Industrial Control Systems

The City manages 6 drinking water production plants whose production capacity of approximately 3 million cubic metres of drinking water per day serves some 2 million citizens. The City has put in place mechanisms to ensure the sound management and high degree of accessibility of the ICS and IT for the production of drinking water.

Implementation of the *Tree Policy* – Maintenance Component

The City *Tree Policy*, adopted in 2005, established actions aimed at ensuring the maintenance and development of Montréal's urban forest, whose benefits to the ecosystem contribute to the quality of the living environment and to fighting the effects of climate change. The City has not implemented and followed up the public tree maintenance actions set out in its Policy. The composition and condition of public trees are unknown, orientations and maintenance programs are not established, maintenance practices are inconsistent, and the required budgets are not evaluated or specifically allocated. The result is that the maintenance and development of Montréal's arboreal heritage are compromised.

1.6. Accountability

1.6.1. Legal Persons Having Received a Subsidy of at Least \$100,000 from the Ville de Montréal during the Year 2020

For the year ended December 31, 2020, the City recorded a total of \$180.3 million in subsidies to various legal persons. Of this amount, \$149.4 million (or 83%) concerned 283 legal persons that had received subsidies totalling at least \$100,000, which were subject to the requirements of Section 107.9 of the *Cities and Towns Act* (CTA) and resolution CM13 1157 adopted by city council.

Most of the agreements included a clause indicating that the financial statements of the recipient organization must be provided 90 days following the end of its fiscal year. As of December 23, 2021, the BVG had received the 2020 audited financial statements for 278 (or 98.23%) of the 283 organizations that were subject

to this CTA requirement, for a total of \$148.8M. Five organizations that had received \$665,027 did not provide audited financial statements and thus failed to meet the requirements of the CTA and resolution CM13 1157.

I encourage the City to continue its work to educate organizations about the requirements of section 107.9 of the CTA and resolution CM13 1157.

Chapter 5.1. deals with the work done by the BVG to ensure the agencies' compliance with the laws.

1.6.2. Application of the Auditor General's Recommendations

We followed up the implementation of our recommendations for the calendar year of our report, i.e., January 1 to December 31, 2021. Based on the business units' action plans and their implementation in the past, a total of 465 recommendations should have been implemented during 2021, approximately 71% of which were late in being implemented at January 1, 2021. The business units also considered 6 recommendations to have been resolved prior to their date of implementation. Thus, a total of 471 recommendations were followed up in 2021. During the 12 months of 2021, the business units considered that they had implemented 313 of these recommendations, i.e., 66% of the total that should have been implemented. Based on the evidence provided by the business units to show the implementation of the recommendations, we confirmed and closed 222 of these, for a 47.1% rate of implementation of our recommendations. The vast majority of the recommendations that were closed, i.e., 93.7%, were late in being implemented by the business units relative to the date that they had set in their action plans.

Detailed results of the application of the recommendations can be found in Chapter 5.2.

1.7. Management Reports

Chapter 6.1. of our management report contains the situation of the BVG for the year 2021, and Chapter 6.2. contains the follow-up of the 2019–2023 strategic plan, for which we achieved 89% of our commitments despite the pandemic.

In recent years, we have met the challenge of attracting new talent while encouraging promotions within the BVG, thereby ensuring a smooth succession. As of the date of this report, we had staffed more than 21 positions (18 at December 31, 2021), 50% of which were filled by visible minorities, and had promoted more than 5 employees, all this despite the retirement of 8 employees. As of the date of this report, the BVG had 36 employees (33 at December 31, 2021), 58% of whom had joined our team during the past 5 years.

The BVG's expenditures for 2021, along with the independent auditor's report, appear in Appendix 7.2.

