

# Observations of the Auditor General

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**2022 Annual Report**

Auditor General of  
the Ville de Montréal



# 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 seventh and final report that I am submitting to city council (CC) 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.

My term comes to an end on August 15. In Chapter 2, I present a review of my seven years as Auditor General of the Ville de Montréal (the City).

## 1.1. Summary of the Audits Conducted in 2022



### 1.1.1. Performance and Information Technology Audits

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

#### Ten-year Capital Works Plan Budget Process – Investment Planning

Recognizing that it needs to invest in its aging infrastructure, the City is preparing a ten-year capital works plan to ensure strategic and integrated planning. The plan totals over \$19.5 billion, of which 70.3% will be spent on protecting assets. It is a management and planning tool that takes into account the needs of the population and agreed-upon service levels.

The City has several policies and guidelines in place for the development of the ten-year capital works plan, including the preparation of an annual internal asset knowledge assessment with an estimated replacement value of \$66 billion. However, certain practices aimed at aligning long-term financial needs and resources to match the City's strategic vision are not being implemented. In addition, not all existing investment planning and funding strategies have been followed, and there is insufficient accountability to assess the extent to which the ten-year capital works plan is aligned with the City's needs and long-term financial capacity and whether the achievements are consistent with budget projections.

#### Management of Wastewater Discharge and Overflow Monitoring

The City operates two wastewater treatment plants, including the largest in North America, and 161 overflow structures through which wastewater overflows in the event the collection system overloads. The City usually has implemented a series of mechanisms to ensure sound management of wastewater discharge and overflow monitoring. On the other hand, these mechanisms are not fully compliant with regulatory requirements. In terms of monitoring discharges, the City is in compliance with most of the requirements. With respect to monitoring overflows, the mechanisms in place do not ensure that all overflows are monitored, nor that the City is in compliance with all of the requirements for onsite visits of overflow structures. The City does not always notify authorities of overflow events or does not do so in a timely manner.

#### Knowledge and Enhancement of Heritage Buildings

From a heritage perspective, the City is recognized for its municipal and private buildings that have architectural, historical, landscape, urban or archaeological value. This heritage is governed by municipal provisions, such as the *Cultural Heritage Act*, which are aimed at ensuring its knowledge, protection, enhancement and transmission. In the 2005 *Heritage Policy* (Policy) and its 2017–2022 Heritage Action Plan (HAP), the municipal administration committed to act in an exemplary fashion towards its heritage.

The City does not have full knowledge of these buildings on its territory or of their preservation status. The buildings are not all identified or described in a consistent manner, thereby limiting the scope of the enhancement interventions, which are already deficient. Indeed, the lack of investment, lack of maintenance of the City's heritage buildings and lack of incentives to keep private heritage buildings in good repair make some of them more vulnerable and can lead to their loss. The City has taken steps to comply with new legislation and identify, by 2026, municipal and private heritage buildings over the territory of the agglomeration that date back to 1940 or earlier.

Several actions of the Policy and the HAP, aimed at increasing the knowledge and enhancement of the HB, remain to be carried out. In the absence of any follow-up of these actions, does not allow the City to adequately resolve the issues relating to HB on its territory.

### **Awarding and Management of Financial Contributions by the Central Departments to Non-Profit Organizations**

The City's central departments make significant financial contributions to non-profit organizations (NPOs) each year. This allows the City to offer a wide range of services to the Montréal community, including the organization of sporting activities, cultural events and festivals, support for vulnerable people and local businesses, and youth training. Although there is a set of frameworks in place, the City is not able to provide a documented demonstration of impartiality when it comes to awarding financial contributions to NPOs and complying with the frameworks for all of the contributions reviewed. In addition, we saw no evidence that the City is able to demonstrate that all monies paid are being used in full and for the intended purposes.

### **Effectiveness and Efficiency of the Use of the Patrol Vehicles of the Service de police de la Ville de Montréal in Emergency Settings**

Patrol officers of the Service de police de la Ville de Montréal (SPVM) intervene when emergency calls are made to the 911 Emergency Centre. Depending on the severity of the situation, the SPVM has set targets for the average time it takes to respond to these calls. To ensure the vehicle arrives at the scene as quickly as possible, the emergency call should be assigned to the patrol vehicle with the shortest travel time. The vehicle must be in good working order and the patrol officer must be able to operate an emergency vehicle in a variety of weather and urban conditions.

For obvious security reasons we cannot disclose the details of the results or our findings in this annual report. We made recommendations to the various business units (BU) concerned in relation to these findings and they have committed to developing and implementing action plans (AP) to correct the deficiencies found.

### **Management of the Metro's Industrial Control Systems of the Société de transport de Montréal**

The Société de transport de Montréal (STM) provides the population with public transit services, including metro. This includes 4 lines serving 68 stations over 71 kilometers. The metro is centrally controlled by a Supervisory Control and Data Acquisition (SCADA) System, which monitors and manages the metro's operations. This management requires the use of industrial control systems (ICS) consisting of operational technology (OT) and information technology (IT).

The ICSs can face cyberattacks causing damage, information theft, and destruction or impairment of the proper functioning of the metro system's ICSs. Due to several deficiencies, including inadequate management of the logical access to the ICSs and the lack of a formal IT succession plan, we conclude that the STM needs to improve its management of its ICSs to increase efficiency and reduce the risk of inoperability of the metro system.

Some of the findings in this report are not publicly disclosed for security reasons. We have made recommendations to the STM in relation to these findings. The STM has committed to developing and implementing action plans to address these deficiencies.

## **Management of the Artemis System — Service de sécurité incendie de Montréal et Service des technologies de l'information**

The Centre de communication en sécurité incendie (CCSI) of the Service de sécurité incendie de Montréal (SIM) has been using a computerized call-dispatch system named Artemis. As the SIM is the only body of its kind in the entire agglomeration of Montréal, it is crucial that the CCSI be able to rely on a high-performance system ensuring a high level of availability. The City has several control mechanisms in place to ensure the sound management of the Artemis system. Nevertheless, some elements need improvement, such as authentication parameters, the procedure for managing high-privilege logical accesses, functional documentation and automated alert mechanisms in the event of incidents.

### **1.1.2. Financial Statement Audits**

The continuation of the Québec government's Emergency Assistance Program for Small and Medium-Sized Businesses (PAUPME) related to the pandemic context and the implementation of the enhanced requirements of the revised CAS 540 standard (Auditing Accounting Estimates and Related Disclosure) continued to influence our audit work in 2022, for a third consecutive year.

Financial assistance to businesses under the PAUPME, which totalled \$150 million at the end of 2021, amounted to nearly \$159 million as of December 31, 2022. Once again, this year, work was carried out in coordination with the bodies making up the PME MTL network, which manage the program and financial assistance on behalf of the City, and their auditors.

We continue to be concerned about the loss of expertise in the Service des finances due to past and upcoming departures of various key figures responsible for preparing the financial statements. The lack of experienced staff in other City departments involved in this process is also worrying. All this had an impact on the timing and quality of documents delivered as well as the performance of our audit work.

Consequently, at the time of producing the annual report, we had not yet issued the joint auditor's report for the City's consolidated financial statements as at December 31, 2022, as the financial report will be tabled by the treasurer when city council meets in May or in June 2023.

In addition, the Auditor General issued unqualified auditor's reports jointly with the external auditor for the consolidated financial statements of 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.

Chapter 5 presents a detailed summary of the financial audit work performed.

## **1.2. Pre-Election Report**

The desire to have an audited pre-election report (PER) continued into 2022, with city council passing two motions, firstly to request the initiation of discussions between the Service des finances and the Auditor General regarding the creation of an audited PER for the 2025 election and, secondly, to have the Service des finances produce a status report in this regard. Documents to this effect were tabled with city council by the Auditor General and the Service des finances.

We maintain that implementing the recommendations contained in the report on the operating component of the budget processes is desirable if the City's intention is to produce a PER that is compliant with the relevant requirements and that represents a budget transparency tool that allows political parties to present platforms that take into account the City's financial situation. However, it is clear that two years after its issue, several important elements have yet to be implemented.

It is also important to recall that all assurance work performed by the City's BVG is conducted in accordance with the Canadian Standards on Assurance Engagements as set out by CPA Canada's Auditing and Assurance Standards Board. The added value of the audit would be on the entire PER. We find that there remains a significant gap between what needs to be done to allow for the auditing of the PER and stakeholders' understanding in this regard.

### 1.3. Accountability

#### 1.3.1. Legal Persons Having Received a Subsidy of at Least \$100,000 during the Year 2021

For the year ended December 31, 2021, the City recorded a total of \$192 million in subsidies to various legal persons. Of this amount, \$163.4 million (85.1%) concerned 287 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 CC.

The majority of agreements include a clause indicating that the financial statements must be provided 90 days after the end of the recipient entity's fiscal year. However, as of January 23, 2023, the BVG had received the 2021 audited financial statements from 285 (or 98.95%) of the 287 entities concerned by this requirement of the CTA, for a total of \$162.5 million. Two entities that had received \$747,705 had not met the requirements of the CTA and resolution CM13 1157 as they had not provided audited financial statements.

I encourage the City to continue its work to raise the entities' awareness of the requirements of section 107.9 of the CTA and resolution CM13 1157.

Chapter 7.1. discusses the work carried out by the BVG to ensure that the entities comply with the legislation.

### 1.3.2. Implementation of the Auditor General's Recommendations

We followed up on the implementation of our recommendations for our report covering the calendar year, i.e., the period from January 1 to December 31, 2022. A total of 336 recommendations were followed up in 2022. During the 12 months of the year, the BUs considered that they had implemented 196 of these recommendations, i.e., 58.3% of what needed to be done. Based on the evidence provided by the BUs to demonstrate implementation of the recommendations, we confirmed and closed 175 of them. That means that 52.1% of our recommendations were implemented. Of these, nearly one in two recommendations was implemented at least one year later than the date the BU had set for itself.

Concerned about the number of APs still in progress and for which the planned implementation dates were several years overdue, the BVG undertook a validation exercise in 2021 with the BUs on the recommendations at issue. This was continued in 2022, giving the BUs the opportunity to review the relevance of recommendations whose APs were at least 3 years overdue.

As of December 31, 2022, the cleanup of certain recommendations has increased the number of those still in progress with no delays with respect to their planned implementation dates from 57.1% to 64.6%.

However, despite several reminders to the BUs, we observe that the City did not take full advantage of the opportunity offered by the BVG to improve its rate of implementation of the recommendations by postponing the implementation date of some of its APs.

This exercise continued in 2023, with recommendations with APs at least 1 year overdue.

Chapter 7.2. presents the detailed results of the implementation of the recommendations.

### 1.4. Management Reports

Chapter 8.1. presents our management report on the situation of the BVG for 2022, and Chapter 8.2. presents the follow-up of the 2022–2024 strategic plan for which we have achieved 93% of our commitments.

The BVG's statement of expenditures for 2022 as well as the independent auditor's report are presented in the appendices of Chapter 9.2.