

AUDIT COMMITTEE AGENDA

Audit Committee Meeting
Tuesday, December 3, 2019
Tom Davies Square - Council Chamber

COUNCILLOR DEB MCINTOSH, CHAIR

Mike Jakubo, Vice-Chair

2:00 p.m. AUDIT COMMITTEE MEETING
COUNCIL CHAMBER

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DECLARATIONS OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF

PRESENTATIONS

1. Report dated November 13, 2019 from the General Manager of Corporate Services regarding 2019 External Audit Planning Report. **4 - 22**
(ELECTRONIC PRESENTATION) (RESOLUTION PREPARED)
• Oscar Poloni, Partner, KPMG LLP
(This presentation and report provides a recommendation regarding the activities of the City External Auditors in discharging their audit responsibilities.)

REGULAR AGENDA

MANAGERS' REPORTS

- R-1. Report dated March 25, 2019 from the Auditor General regarding Performance Audit of the Procurement Processes within Engineering Services. **23 - 31**
(RESOLUTION PREPARED)
(This report provides a recommendation regarding the results of the performance audit of the procurement processes within Engineering Services.)
- R-2. Report dated November 19, 2019 from the Auditor General regarding Performance Audit of the Asset Management Program. **32 - 40**
(RESOLUTION PREPARED)
(This report provides a recommendation regarding the results of the performance audit of the Asset Management Program.)
- R-3. Report dated November 19, 2019 from the Auditor General regarding Governance Audit of the Greater Sudbury Public Library. **41 - 48**
(RESOLUTION PREPARED)
(This report provides a recommendation regarding the results of the governance audit of the Greater Sudbury Public Library.)

MEMBERS' MOTION

CORRESPONDENCE FOR INFORMATION ONLY

- I-1. Report dated November 18, 2019 from the Auditor General regarding Audit Plans for 2020 to 2022. **49 - 56**
(FOR INFORMATION ONLY)
(This report provides information regarding the audit plans for 2020 to 2022.)

ADDENDUM

CIVIC PETITIONS

QUESTION PERIOD

ADJOURNMENT

Request for Decision

2019 External Audit Planning Report

Presented To:	Audit Committee
Presented:	Tuesday, Dec 03, 2019
Report Date	Wednesday, Nov 13, 2019
Type:	Presentations

Resolution

THAT the City of Greater Sudbury approves the recommendations as outlined in the report entitled "2019 External Audit Planning Report", from the General Manager of Corporate Services, presented at the Audit Committee meeting on December 3, 2019.

Relationship to the Strategic Plan / Health Impact Assessment

This report refers to Responsive, Fiscally Prudent, Open Governance: Focus on openness, transparency and accountability in everything we do.

Report Summary

The audit planning report contains audit areas and systems that will be reviewed during the external audit, the audit approach and details relating to scope and timing of the audit.

Financial Implications

There are no financial implications associated with this report.

Signed By

Report Prepared By

Christina Dempsey
Co-ordinator of Accounting
Digitally Signed Nov 13, 19

Manager Review

Jim Lister
Manager of Accounting/Deputy
Treasurer
Digitally Signed Nov 13, 19

Division Review

Ed Stankiewicz
Executive Director of Finance, Assets
and Fleet
Digitally Signed Nov 15, 19

Financial Implications

Liisa Lenz
Coordinator of Budgets
Digitally Signed Nov 15, 19

Recommended by the Department

Kevin Fowke
General Manager of Corporate
Services
Digitally Signed Nov 18, 19

Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed Nov 20, 19



City of Greater Sudbury

**Audit Planning Report for the
Year Ended December 31, 2019**

KPMG LLP

December 3rd, 2019

kpmg.ca/audit



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The contacts
at KPMG in
connection
with this report
are:



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Executive summary



Audit and business risks

Our audit is risk-focused. In planning our audit we have taken into account key areas of focus for financial reporting. These include:

- Revenue recognition for conditional funding sources;
- Employee-related liabilities and management estimates;
- Taxation appeals; and
- Capital expenditures.

See pages 4 - 7



Audit materiality

Materiality has been determined based on total revenues for the preceding fiscal year. This benchmark is consistent with prior years.

Materiality for planning purposes has been established at \$12.5 million, representing 2% of the preceding year's revenues.

Our audit misstatement posting threshold has been set at 5% of materiality, or \$625,000. This is the level at which audit differences will be reported to the Audit Committee.

See page 9



Independence and quality control

We are independent and have extensive quality control and conflict checking processes in place. We provide complete transparency on all services provided by KPMG.

This Audit Planning Report should not be used for any other purpose or by anyone other than the Audit Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Planning Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit Risks



Significant Financial Reporting Risks

Revenue recognition for conditional funding sources

Why is it significant?

The City receives funding under a number of Provincial and Federal programs, some of which have criteria for revenue recognition (e.g. amount of costs incurred). This provides a potential risk if the criteria for revenue recognition are not met.



Our audit approach

- We will review management's calculation of revenues and identified revenues that are conditional in nature. For significant conditional revenue sources, we will review and test supporting documentation demonstrating that the revenue recognition criteria have been achieved.
- We will review management's treatment of associated balance sheet accounts, specifically funding overpayments. For significant amounts of unearned revenue, we will test management's determination as to whether these represent deferred revenue or payable balances.
- We will review management's treatment of prior year balance sheet accounts (deferred revenues, accounts payable) that are recognized as revenue in the current year. For significant income inclusions from prior year amounts, we will review supporting documentation to ensure that revenue recognition criteria have been met.

Audit Risks



Significant Financial Reporting Risks

Employee-related liabilities and management estimates

Why is it significant?

The City is exposed to bargaining for expired collective agreements and employee benefit obligations that can be both significant from a financial statement perspective and subjective with respect to their determination, requiring assumptions and estimates on the part of management.



Our audit approach

- We will perform the necessary audit procedures over management's estimates with respect to employee-related liabilities, including assessing the reasonableness of key assumptions, performing a retrospective review of prior year's estimates and substantively testing data used for the purposes of arriving at the estimate.
- We will assess our ability to rely on management's experts involved in the quantification of employee future benefits, assess the reasonableness of key assumptions, perform certain procedures over data inputs and review the actuarial report in detail.
- We will review the financial statement presentation, including note disclosure, relating to employee-related liabilities to ensure it is appropriate and contains, at a minimum, the required disclosures under Canadian financial reporting standards.

Audit Risks



Significant Financial Reporting Risks

Potential liabilities arising from assessment appeals.

Why is it significant?

Municipalities are exposed to potential liabilities with respect to assessment appeals, which often involve multiple years and require management to make estimates of the potential exposure.



Our audit approach

- We will perform the necessary audit procedures over management's estimates with respect to assessment appeals, including assessing the reasonableness of key assumptions, performing a retrospective review of prior year's estimates and substantively testing data used for the purposes of arriving at the estimate.
- We will review information relating assessment appeals as provided by the Online Property Tax Analysis ("OPTA").
- We will assess our ability to rely on management's experts involved in the quantification of potential tax refunds related to assessment appeals, assess the reasonableness of key assumptions, perform certain procedures over data inputs and review the report in detail.



Audit Risks



Significant Financial Reporting Risks


Capital expenditures

Why is it significant?

Capital expenditures represent a significant investment on the part of the City and in certain instances, may involve a degree of subjectivity and/or complexity in terms of whether they meet the criteria for capitalization (i.e. do they represent a betterment or repair and maintenance).



Our audit approach

- 
- We will perform substantive testing over recorded capital expenditures, including reviewing source documentation for a sample of capital expenditures, to determine the appropriate classification of costs (capitalization vs. expense).
 - We will perform substantive testing over repairs and maintenance expenditures, including reviewing source documentation for a sample of capital expenditures, to identify any instances where items should be capitalized as opposed to expensed.
 - We will review financial statement presentation and note disclosure of capital assets and deferred revenues.

Other Risks



Other risks

- Contravention of procurement policies
- Contravention of travel and expense reimbursement policies
- Internal control weaknesses in immaterial revenue or expense streams
- Process inefficiencies
- Exposure to cybersecurity risks

Why is this considered?

As an organization with high public profile, the City is exposed to potential reputational risks that may arise from transactions that, while not material to the financial statements, may call into question the appropriateness of the City's use of public funds.



Our audit approach

- We will perform testing over a sample of procurements to ensure compliance with the City's procurement policies, including the requirement for competitive bids.
- We will select a sample of expense reports for City staff and elected officials to ensure compliance with the City's policies for travel and expense reimbursements, including approval requirements.
- We will select two transaction streams (one revenue, one expense) that, by virtue of their size, would not normally be subjected to audit procedures. For these transaction streams, we will document the City's internal processes, provide our comments as to potential efficiency opportunities and perform selected audit procedures over a sample of transactions.
- We will utilize Data and Analytics to provide insight into the City's disbursements and journal entry processing and identify opportunities for potential efficiencies.
- We will undertake LEAN-in-Audit process mapping of two processes to identify potential internal control weaknesses and opportunities for efficiency enhancements.
- We will conduct a high-level screen of the City's exposure to potential cybersecurity risks and its capacity to respond to potential cyber attacks

Materiality

Materiality Benchmark

Total revenues

\$623 Million

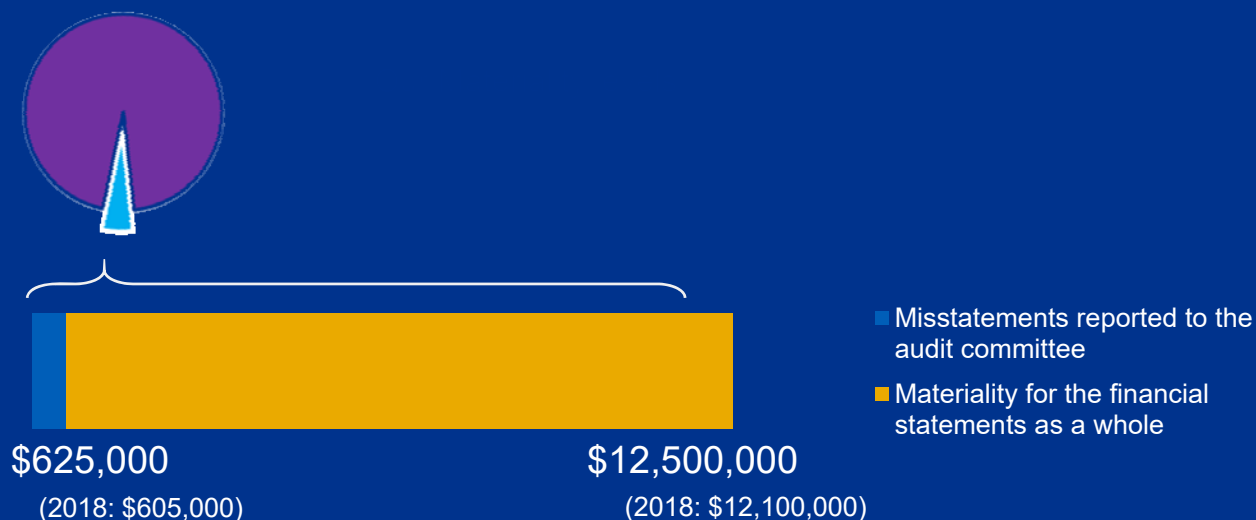
(2018: \$605 Million)

Materiality

\$12.5 million

2% of revenue

(2018: \$12.1 million, 2% of revenue)



The misstatement threshold for reclassification misstatement is \$3.0 million (2018: \$3.0 million). This is the amount above which we will report audit differences that do not impact the City's reporting operating surplus (e.g. adjustments only affecting the statement of financial position).

Materiality represents the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors.

We will report:



Corrected audit misstatements

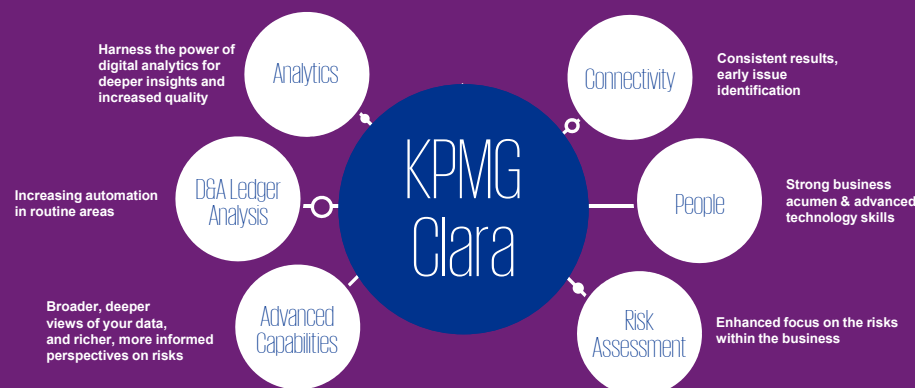


Uncorrected audit misstatements

The audit of today, tomorrow & the future

As part of KPMG's technology leadership, our audit practice has developed technologies and alliances to continuously enhance our capabilities and deliver an exceptional audit experience.

Technology empowers us with deep analysis over your financial information, focusing our effort and interactions on the areas of greatest risk and minimizing disruption to your business.



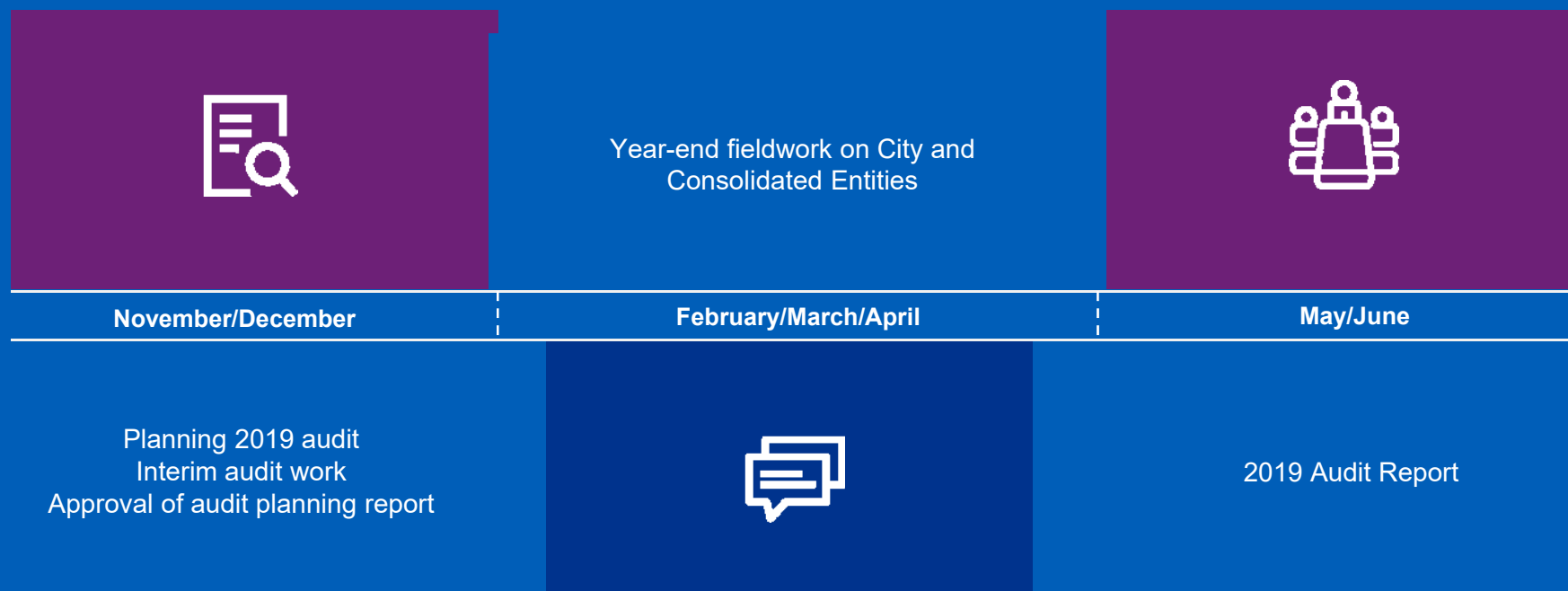
Technology we use today

Tool	Benefit to audit
KPMG Clara Collaboration	KCCC is our secure audit platform and a one-stop shop through which we plan, execute and manage the audit, providing you with real-time access to the process at every step, including exchange of information and access to the real-time reporting you need in one central location.
Journal Entry Analysis	Our journal entry tool assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.

We continue to make significant investments in enhanced methodologies, new technologies and strategic alliances with leading technology companies that can have a transformative impact on auditing, and more broadly, financial reporting. KPMG is investing in the development of innovative audit technologies through both internal solutions and through alliances with technology firms such as Finger Food, Microsoft, IBM Watson and others. We are committed to investing in cognitive technology to develop external auditing tools and technologies. Cognitive technology will enable us to teach a machine how to perceive, reason, and learn like a human being. This will be transformative to our profession, and will directly benefit the City of Greater Sudbury now and in the future.

We are developing intelligent automation to enable programmed reviews of unstructured data in source documents; freeing our professionals to focus their efforts on areas of greater risk. This may sound simple, but it's actually quite powerful, with complex underlying technologies.

Key deliverables and milestones



Proposed fees



In determining the fees for our services, we have considered the nature, extent and timing of our planned audit procedures as described above.

Our fee analysis is based on our proposal document dated July 19, 2016 and subsequent extension and has been reviewed with and agreed upon by management.

Our fees are as follows:

	Current period (budget)	Prior period (actual)
Audit of the consolidated financial statements	\$95,790	\$93,000

Current developments and audit trends

Please visit KPMG's [Audit Committee Institute \(ACI\) / Current Developments](#) page for current developments in IFRS, Canadian securities matters, Canadian auditing other professional standards and US accounting, auditing and regulatory matters. The following is a summary of the current developments that are relevant to the Company:

Standard	Summary and implications	Reference
Restructuring Transactions	<ul style="list-style-type: none">• Provides accounting and financial reporting guidance for restructuring transactions, which may include amalgamation, transfers of operations between organizations and shared service arrangements• Restructuring transactions cannot involve consideration based on fair market value• Applicable for fiscal years beginning on or after April 1, 2018• Based on discussions with management, we do not anticipate that this section will be relevant to the City's financial statements for the year ended December 31, 2019	PSAB Section 3430

Appendices

Appendix 1: Audit quality and risk management

Appendix 2: KPMG's audit approach and methodology

Appendix 3: Required Communications

Appendix 1: Audit quality and risk management



KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards. Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems. Visit our [Audit Quality Resources](#) page for more information including access to our audit quality report, *Audit quality: Our hands-on process*.

Other controls include:

- Before the firm issues its audit report, Engagement Quality Control
- Reviewer reviews the appropriateness of key elements of publicly listed client audits.
- Technical department and specialist resources provide real-time support to audit teams in the field.

We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.

We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.

We do not offer services that would impair our independence.



All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.

The processes we employ to help retain and develop people include:

- Assignment based on skills and experience;
- Rotation of partners;
- Performance evaluation;
- Development and training; and
- Appropriate supervision and coaching.

We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.

Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 2: KPMG's audit approach and methodology

Next year we will expand our use of technology in our audit through our new smart audit platform, KPMG Clara.

Collaboration in the audit

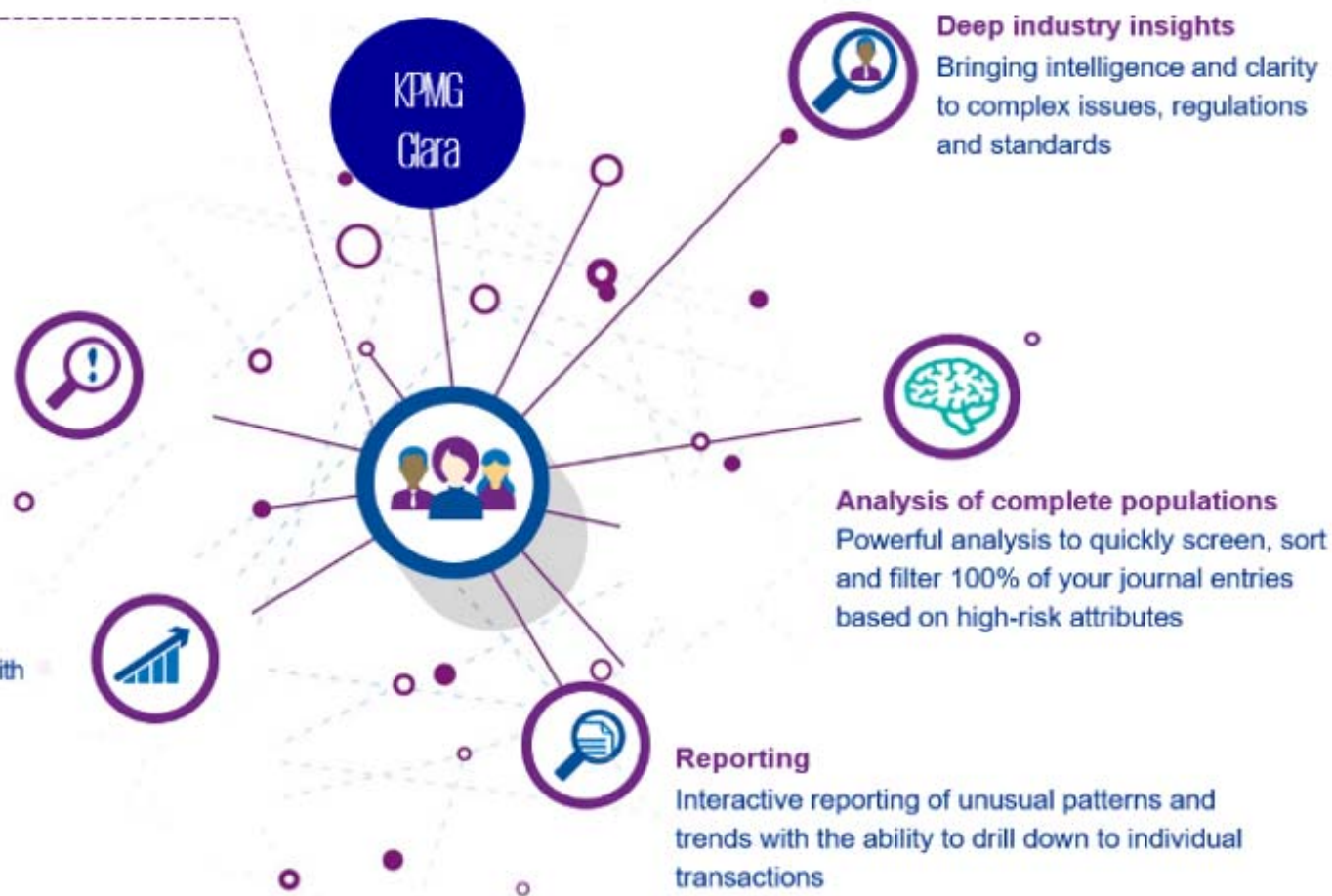
A dedicated KPMG Audit home page gives you real-time access to information, insights and alerts from your engagement team

Issue identification

Continuous updates on audit progress, risks and findings before issues become events

Data-driven risk assessment

Automated identification of transactions with unexpected or unusual account combinations — helping focus on higher risk transactions and outliers



Appendix 3: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:



Engagement letter

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter and any subsequent amendment letters. In accordance with professional standards, copies of the engagement letter and any subsequent amendments will be provided to the Audit Committee annually.



Management representation letter

We will obtain from management certain representations at the completion of the annual audit. In accordance with professional standards, copies of the representation letter will be provided to the Audit Committee.



Audit planning report

The audit planning report will be presented to Audit Committee on December 3, 2019.



Audit findings report

At the completion of our audit, we will provide a report to the Audit Committee



Required inquiries

Professional standards require that during the planning of our audit we obtain your views on risk of fraud and other matters. We make similar inquiries to management as part of our planning process; responses to these will assist us in planning our overall audit strategy and audit approach accordingly



Annual independence letter

At the completion of our audit, we will provide a letter to the Audit Committee



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Presented To:	Audit Committee
Presented:	Tuesday, Dec 03, 2019
Report Date	Monday, Mar 25, 2019
Type:	Managers' Reports

Request for Decision

Performance Audit of the Procurement Processes within Engineering Services

Resolution

THAT the City of Greater Sudbury approves the recommendations as outlined in the report entitled "Performance Audit of the Procurement Processes within Engineering Services", from the Auditor General, presented at the Audit Committee meeting on December 3, 2019.

Signed By

Auditor General
Ron Foster
Auditor General
Digitally Signed Mar 25, 19

Relationship to the Strategic Plan / Health Impact Assessment

Completing audits promotes value for money in operations and effective safeguards over assets.

Report Summary

This audit indicated that management had identified, assessed and mitigated relevant risks within its purchasing processes. Suggestions for improvement were provided to further mitigate significant risks to achieve greater economy and fairness within its purchasing processes.

Financial Implications

No direct financial implications.

Performance Audit of the Procurement Processes within Engineering Services

October 31, 2019
Final Report



SUMMARY

Objectives

The objective of this audit was to assess the extent of regard for efficiency, effectiveness and economy within the purchasing processes of the Engineering Services Section.

Scope

The scope of the audit includes activities from January 1, 2014 to December 31, 2018.

Background

The Engineering Services Section of the Growth and Infrastructure Department delivers projects that maintain, renew and expand the City's Infrastructure systems including linear infrastructure and fixed infrastructure facilities. Linear infrastructure includes roads, storm-water management, water distribution and wastewater treatment systems. Fixed infrastructure facilities include water treatment and wastewater treatment plants.

Engineering Services conducts most of its own purchasing activities (i.e. Tenders, Requests for Proposal, Request for Qualifications and Pre-qualifications) with the assistance of purchasing staff who advertise their purchasing opportunities, open the bids and communicate the results of these initiatives.

Report Highlights

This audit indicated that management had identified, assessed and mitigated relevant risks within its purchasing processes. Suggestions for improvement were provided to further mitigate significant risks to achieve greater economy and fairness within its purchasing processes.

Audit Standards

We conducted our audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we adequately plan for the audit; properly supervise audit staff; obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions; and properly document each audit.

We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit. For further information regarding this report, please contact Ron Foster at extension 4402 or via email at ron.foster@greatersudbury.ca

OBSERVATIONS AND ACTION PLANS

Procurement Planning

Our analysis shown below of the largest tenders issued by Engineering Services over the last three years indicates that major tenders were only open for bidding 18 to 25 days. Better practice guidelines for procurement indicate that the number of bidders that respond to bidding opportunities is directly related to the length of the bidding period as well as other factors such as the number of firms in the area that provide the goods and services desired. Conversely, shortening the bidding period reduces the number of bidders, as does the number and value of similar bidding opportunities that are issued at the same time by the Ministry of Transportation and private sector.

Year	Value of All ENG Contracts (Million)	ENG Contracts Issued	Avg Value of Contract Issued	Value of ENG Contracts Tested (Million)	ENG Contracts Tested	Avg No. of Bids Received on Contracts Tested	Avg Value of Contracts Tested (Million)	Value Tested as % of Contract Value Issued	Avg No. Days in Bidding Period
2016	\$56.1	36	\$1.6	\$42.2	15	2.7	\$2.8	75%	25
2017	\$69.0	33	\$2.1	\$47.8	15	4.5	\$3.2	70%	23
2018	\$69.3	19	\$3.6	\$63.8	10	3	\$6.4	92%	19
Avg	\$64.8	29	\$2.4	\$51.3	13	3.4	\$4.1	79%	22

At the end of 2018, Engineering Services adopted the minimum timelines for advertising tenders that are required to meet new legislation. These new timelines and the launch of e-Tendering at the end of March should increase the number of bids received by the City and provide more economical prices for large projects.

Recommendation

To maximize the number of bids on large projects, the legislated timelines should be considered minimum periods.

Management's Response

Engineering Services will continue to use the current minimum posting period (15 days) for simple, repeat procurements. We will consider longer posting periods where feasible and for complex projects which usually exceed CETA thresholds and will be required to be posted for a minimum of 25 days.

Engineering Services will also use other communication opportunities, such as the annual contractors meeting, to communicate to the construction industry the anticipated capital work for the upcoming construction season. This will provide contractors advance notice of tendering opportunities.

Engineering Services will also stagger tender close dates so that the tenders do not close on the same date as other projects of similar size/scope or other large projects in the industry (i.e. MTO)

eTendering, which was implemented in March 2019, will create efficiencies in the bidding process (e.g. notifications, access to information, electronic submission). It is anticipated that eTendering will initially increase competition by providing access to CGS procurement opportunities to a larger vendor population through “bids & tenders”. The primary external uncontrollable risk that impacts our procurement process is the short construction season.

Once the capital budget is approved and bidding documents are prepared, a longer posting period exposes the City to the following consequences:

- Contractors are already engaged in other contracts (i.e. MTO, mining industry, etc.);
- Higher bid prices;
- Lower quality labour force;
- Increase in costs due to work extending into the fall/winter season; and
- Poor reputation if construction work is not completed on-time.

Engineering Services implemented eTendering for all relevant procurement opportunities as of March 2019.

Dispute Resolution Process

Contractor evaluations and procurement awards are subject to judgment and fairness considerations. As a result, prequalification and award decisions are sometimes disputed. Lack of formality in the current dispute resolution processes could lead to inconsistent decisions and potential litigation.

Recommendation

Dispute resolution processes should be formalized for each phase of the purchasing process to mitigate legal and reputational risks.

Management's Response

The City's Purchasing By-Law includes a debriefing and complaint process (Section 32) for Tenders and RFP. The Canadian Free Trade Agreement requires a debriefing for pre-qualification processes in accordance with Article 516 (Transparency of Procurement Information Provided to Suppliers) which states:

A procuring entity shall promptly inform participating suppliers of its contract award decisions, and, on the request of a supplier, shall do so in writing. Subject to Article 517, a procuring entity shall, on request, provide an unsuccessful supplier with an explanation of the reasons why the procuring entity did not select its tender. The following definitions apply:

tender - means a submission from a supplier in response to a tender notice;

tender notice - means a notice published by a procuring entity inviting interested suppliers to submit a tender, a response to a request for prequalification, or both;

<https://www.cfta-alec.ca/canadian-free-trade-agreement/>

Purchasing Services has developed a new Request for Prequalification process that includes a debriefing and complaint process which is compliant with CFTA.

Engineering Services has adopted and implemented the new Request for Prequalification process. In addition, Engineering Services is using eTendering to conduct Requests for Pre-qualifications. Requests for pre-qualification are conducted by an authorized person (i.e. Purchasing Agent) in accordance with the Purchasing By-law.

Appendix 1 – Summary of Significant Risks

Risk	Total No. of Risks	Risks Before Controls			Risks After Controls		
		High (15 to 25)	Med (9 to 14.99)	Low (1 to 8.99)	High (15 to 25)	Med (9 to 14.99)	Low (1 to 8.99)
Reputational	1	1	0	0	0	1	0
Operational	3	2	1	0	0	2	1
Financial	9	9	0	0	3	4	2
Legal	1	0	1	0	0	1	0
TOTAL	14	12	2	0	3	8	3

Appendix 2 – Significant Risks

Risk	Risk Description	Before Controls	After Controls
F2	Lack of economical procurement	20	15
F1	Ineffective bidding process	20	15
F3	Lack of effective procurement	20	15
O1	Lack of sufficient engineering capacity	20	14
F4	Lack of effective dispute resolution mechanisms	20	14
R1	Reputational damage from unfair procurement processes	20	14
F6	Lack of effective Prequalification Process	16	10
O2	Lack of effective support from Purchasing Services	20	10
F5	Inconsistent bid evaluation process	20	10
F7	Lack of spending authority for PMs	16	10
O3	Ineffective document controls process	14	8
F8	Lack of efficient procurement	16	8
F9	Lack of effective Standing Offers	16	8
L1	Lack of compliance with procurement bylaw	15	7

Appendix 3 – Project Management Processes

Project Management Processes*	Project Stage	Description	Key Components	Process Risks	Key Controls
Pre-Initiation Phase	Capital Prioritization Tool	Assessment of the practicality of the proposed project	Strengths, benefits, weaknesses, opportunities and threats; costs and resources requirements; prospects for success. Includes the Technical, Economic, Legal, Operational and Scheduling Feasibility	Overstated benefits and strengths; understated costs, resource requirements and constraints	Independent review of feasibility study by appropriate staff
Initiation Phase	Project Charter, Stakeholder Identification	Create a document that formally authorizes the project.	Develop high-level; project description, scope and boundaries, budget, schedule, assumptions, risks, constraints and success criteria	Unclear objectives, criteria, specifications, deadlines, or incomplete analysis	Participation by key staff to ensure completeness and accuracy, independent review and approval by Project Sponsor
Planning Phase	Project Management Plan	Bridge the gap between design conception and detailed design, elaborate each aspect of the project and plan procurement that addresses the timing and method of going to market	Develop detailed scope statement, milestone schedule, risk assessment, budget, quality standards, procurement plan, and communication plan,	Unclear or missing objectives, constraints, provisions or deadlines	Participation of appropriate staff to develop the appropriate plans; independent review by appropriate staff
	Detailed Design	Determine the criteria that the design must meet in order to fulfill the user requirements, prepare work packages which are	Comprehensive list of items and quantities, including corresponding detailed specifications. Preparation of tender	Insufficient detail in drawings and specifications	Participation of appropriate staff within the detailed design process; independent review and approval of detailed engineering

Project Management Processes*	Project Stage	Description	Key Components	Process Risks	Key Controls
		manageable and divisible components of work within the project scope	documents, may include detailed drawings		
	Documenting Specifications	Criteria that the design must meet in order to fulfill the user requirements	Functional specifications and construction specifications	Insufficient detail in drawings and specifications	Participation of appropriate staff within the preliminary design process; independent review and approval of preliminary design
	Work Packaging	Preparing engineering work packages that form construction work packages which divide components of work	Engineering work packages and construction work packages	Overly large or overly small work packaging	Management review of work packages with input from appropriate staff.
Executing Phase	Procurement Planning	Preparing a plan that addresses the timing and method of going to market	Identification of project scope and timing; method of procurement; plan for advising market and going to market; preparation of RFP or Tender documents and contract	Incomplete or inadequate procurement plans	Participation in procurement process by appropriate staff.
	Procurement	Go to the market for competitive bidding, allowing sufficient time for responses from bidders	RFP or Tender documents, prequalification evaluation, bid evaluation, preparation of legal contract documents and award of the contract	Late posting of RFP or Tender; inadequate time for responses; inconsistent evaluation of bids; inappropriate contract award of contract, incomplete or inadequate procurement plans	Significant coordination with appropriate staff during planning process; review and approval of plan by senior Engineering staff

Project Management Processes*	Project Stage	Description	Key Components	Process Risks	Key Controls
Monitoring and Controlling Phase	Contract Administration and Construction Management	Monitor and Control Construction Activities according to the contract documents	Ensure compliance with contract specifications and drawings. Manage budget, schedule, scope and change requests, risks and quality, throughout construction. Review and assess contractor claims for delay and changes	Failure to manage construction quality, schedule, cost and risks; failure to take appropriate holdbacks for deficiencies; failure to manage key deliverables within contract; failure to manage contractor claims for extras and delays	Participation in construction management and contract administration process by senior technical staff and Project Managers to ensure contract terms are met. Review and assessment of claims by Project Manager with input from staff from Sponsor and Senior Engineering Staff.
	Claims Management	Managing claims from contractor	Review and assessment of claims contractor claims for delay and changes	Failure to manage contractor claims for extras or delays	Review and assessment of claims by Project Manager with input from staff from engineering, finance and legal
Closing Phase	Post Construction and Warranty Period	Manage Substantial Completion and Completion Certificate, provide asset management updates, complete lessons learned. Review and assess the product through the warranty period for deficiencies under warranty. Manage warranty work if required. Issue Final Certificate	Testing of deliverables to ensure performance specifications are met prior to the end of the warranty period	Failure to perform sufficient and appropriate performance testing to ensure specifications are met	Review and assessment of warranty issues by Project Manager and Inspection Staff

*For Project Management Processes, refer to Table 3-1, Page 61 of the PMBOK

Presented To:	Audit Committee
Presented:	Tuesday, Dec 03, 2019
Report Date	Tuesday, Nov 19, 2019
Type:	Managers' Reports

Request for Decision

Performance Audit of the Asset Management Program

Resolution

THAT the City of Greater Sudbury approves the recommendations as outlined in the report entitled "Performance Audit of the Asset Management Program", from the Auditor General, presented at the Audit Committee meeting on December 3, 2019.

Signed By

Auditor General
Ron Foster
Auditor General
Digitally Signed Nov 20, 19

Relationship to the Strategic Plan / Health Impact Assessment

Audits promote value for money in operations and effective safeguards over assets.

Report Summary

The audit report identified opportunities to improve the asset management program.

Financial Implications

No direct financial implications.

Performance Audit of the
Asset Management Program

November 19, 2019

Final Report



OBJECTIVES

To review and assess the effectiveness of the City's asset management program and processes.

BACKGROUND

Asset management is the systematic and coordinated activities and practices of an organization in order to optimally and sustainably deliver on its objectives through the cost-effective life-cycle management of assets. Asset management planning is the process of making the best possible decisions regarding the acquisition, operating, maintaining, renewing, replacing and disposing of infrastructure assets and is regarded as a best practice for long-term financial planning.

In December 2017, the province issued Regulation 588/17 titled "Asset Management Planning For Municipal Infrastructure" to help improve the way municipalities plan for their infrastructure and to bring consistency and standardization to asset management planning process.

This regulation requires every municipality to prepare an Asset Management Policy (Policy) by July 1, 2019 and an Asset Management Plan for core municipal assets including water, wastewater, storm water, roads, bridges and culverts by July 1, 2021. A Plan for all other municipal infrastructure assets is required by July 1, 2023.

In 2012, KPMG prepared a plan entitled "Financial Planning for Municipal Roads, Structures and Related Infrastructure" which was presented to Council. In 2016, KPMG prepared an asset management plan (AMP) for the City and recommended a number of steps be taken to address the City's aging infrastructure assets.

In October 2017, management prepared an asset management strategy that was to be used to prioritize infrastructure investments commencing in the 2019 budget process.

In April 2018, management presented an Enterprise Asset Management Policy and timelines to complete the City's AMPs, both of which were approved by Council.

In October 2019, management provided an update to Council on the status of the City's AMP.

SCOPE

Asset management activities undertaken from 2012 to 2019.

AUDIT STANDARDS

We conducted our audit in accordance with Generally Accepted Government Auditing Standards which require that we adequately plan audits; properly supervise staff; obtain sufficient, appropriate evidence to provide a reasonable basis for audit findings and conclusions; and document audits. For further information regarding this report, please contact Ron Foster at the City of Greater Sudbury at 705-674-4455 extension 4402 or via email at ron.foster@greatersudbury.ca

OBSERVATIONS AND ACTION PLANS:

A. Asset Management Program

Regulation 588/17 requires all municipalities to develop Asset Management Plans for their infrastructure assets. This regulation also requires municipalities to manage the life cycle costs of its assets and to communicate the service levels for these assets to residents. To adhere to this regulation, the City must develop a plan for its core infrastructure assets (water, wastewater, storm water, road, bridges and culverts) by July 1, 2021 and a plan for all other assets by July 1, 2023. A financial plan to fund the activities required to achieve the proposed levels of service for the City's assets is required by July 1, 2024.

In 2016, KPMG prepared an asset management plan (AMP) and recommended the City consider a strategy that incorporates the following components to address the City's \$3.1 billion of aging infrastructure assets which were at or near the end of their useful lives:

- A multi-year program of affordable tax increases that would increase the City's available capital funding by approximately \$5 million per year in addition to the existing capital funding envelopes;
- The use of debt for the financing of major capital projects;
- The realignment of the City's capital envelopes to avoid a predominant focus on roads, so as to limit situations where necessary infrastructure components such as facilities and fleet are disadvantaged;
- A focus on asset rationalization, which would include the closure/consolidation/divestment/of excess City facilities, fleet and other assets; and
- Service rationalizations, which would allow the City to redirect funding for operating costs to capital, thereby mitigating increases in taxes and user fees.

In October 2017, management prepared an asset management strategy that was to be used to prioritize infrastructure investments commencing in the 2019 budget process. To adhere to Regulation 588/17 and to provide guidance to the whole organization to minimize the risk of service interruption or increased cost due to asset failure, the City developed the following policy statement for asset management:

"The City of Greater Sudbury ensures its municipal infrastructure systems are supported by plans and financing decisions that demonstrate effective service support and appropriate regard for managing lifecycle costs."

In April 2018, management presented an Enterprise Asset Management Policy that included guiding principles and practices for asset management such as:

- Establishing full life-cycle costing principles aligned with asset management strategies that minimize ownership costs over the asset's service life;
- Maintaining assets in order to deliver defined levels of service that meet legislative requirements and customer expectations;

- Establishing risk management strategies to support service delivery at expected levels of service;
- Maintaining a system of performance monitoring and reporting on asset level of service and the impacts of potential changes in policy, levels of service or risk;
- Maintaining assets to protect the safety of the public and health & safety of our employees; and
- Establishing clear and continuous connections to the corporation's long-term financial plan and related financial policies.

Observations:

In the 2019 update on the City's AMP, management advised Council that annual expenditures of over \$300 million would be required to maintain existing service levels on the City's assets.

The 2019 update of the City's Long-Term Financial Plan included estimates of annual capital expenditures required to respond to the City's aging assets.

The 2020 budget recommends a 1.5% special capital levy as well as a significant increase to capital expenditures to address the City's infrastructure funding requirements. Similar capital levy recommendations were made in the 2019, 2018 and 2017 budgets. The 2020 budget identifies risks related to the City's aging assets and indicates that the development of strong asset condition information and plans to address asset weaknesses is a priority in the coming years.

The 2020 capital budget was developed using a Capital Prioritization Tool that considers legislative requirements, health and safety risks, as well as the probability and consequences of failure of capital projects.

The 2021 to 2024 capital budget forecast includes increased expenditures to address the City's aging assets.

Recommendations:

To ensure the City's aging assets are addressed on a timely basis, we recommend that management continue its efforts to integrate the City's asset management program with the City's annual business plans and long-term planning processes.

Management Response and Action Plan

We agree. Staff will continue to develop and refine the corporate asset management program and provide linkages and integration to other City planning documents such as but not limited to the annual business plan, annual budgets, and long-term financial plan in order to fulfill the strategic plan of Council. Financing decisions, and the level of financial support associated with asset renewal efforts, remain within City Council's control.

B. Asset Management Policy

In April 2018, Council approved the City's Enterprise Asset Management Policy and timelines to complete the City's Asset Management Program.

Observation:

The City's Asset Management Strategy is dependent upon effective leadership and communication as well as a high degree of collaboration between the Asset Management Coordinator, Executive Leadership Team, Divisional and Sectional Leaders, Finance Staff, Assets Users and Asset Operators. Effective leadership needs to be maintained to ensure timely completion of the program.

Recommendation:

As required by Regulation 588/17, ensure that the City's Enterprise Asset Management Policy clarifies that the Executive Lead for the City's Asset Management Program is the General Manager of Corporate Services.

Management Response and Action Plan

We agree. We believe the General Manager of Corporate Services has played, and will continue to play, a leadership role and is clearly the Executive Lead for the corporation's asset management policy. Staff will review the Enterprise Asset Management Policy produced in 2018 and ensure it is clear that the Executive Lead of the asset management program is the General Manager of Corporate Services.

C. Risk Management

Risks are uncertain events which can be measured by calculating the product of the likelihood and impact of these events. Most risks can be mitigated by purchasing insurance. Other mitigation techniques include applying controls related to the application of human and contract resources; development and implementation of formal procedures; utilization of plant, equipment and tools; and collection and utilization of relevant information. Tables 1 and 2 below, identify the significant risks associated with the City's Asset Management Program.

Table 1 – Summary of Significant Risks

Risk	Total No. of Risks	Risks Before Controls			Risks After Controls		
		High (15 to 25)	Med (9 to 14.99)	Low (1 to 8.99)	High (15 to 25)	Med (9 to 14.99)	Low (1 to 8.99)
Reputation	1	1	0	0	0	0	1
Operational	4	4	0	0	0	4	0
Financial	2	2	0	0	0	2	0
Legal	1	1	0	0	0	0	1
TOTAL	8	8	0	0	0	6	2

Table 2 – Significant Risks

Risk	Risk Description	Before Controls	After Controls
O2	Insufficient information may be available about the service level expectations and risk tolerances of members of Council.	20	14.5
O3	Relevant data about the condition of assets may not exist or may not be available on a timely basis to aid members of Council with annual budget decisions.	20	14.5
O4	Asset renewals and replacements may not be prioritized based on the impact and probability of failure of the underlying assets.	20	14.5
O1/F1	Asset management plans may not be integrated with the corporate strategic plan, enterprise risk management plan, long-term financial plan, capital budgeting forecast, annual business plans and annual budget.	20	14
F2	The budget package contains information about the City assets that is prepared using estimates, assumptions and professional judgement. Errors or omissions in the budget package may contribute to Council decisions that are less than optimal.	20	13
L1/R1	The legislated timelines for Asset Management Plans may not be met.	15	8

Observation:

In September 2018, management developed an Enterprise Risk Management Policy to systematically identify, recognize, evaluate and manage risks that could affect the achievement of the City's objectives.

Recommendation:

Management should continue its efforts to establish an enterprise-wide risk management framework to mitigate the risks that may comprise achievement of the City's asset management goals.

Management response:

We agree. The Executive Leadership Team has very recently approved a governance structure, operating guidance and processes to support the implementation of the corporation's Enterprise Risk Management Policy. Among the actions staff will undertake will be a thorough understanding of Council's level of risk tolerance for a number of potential risk areas. Staff will be gauging Council's understanding and acceptance of the risk O2, O4 and O3. These are reasonable risks to our asset management program and approach.

We disagree with the potential for "errors and omissions" to contribute to less than optimal decision making. While errors and omissions are a risk in any endeavor, staff have acknowledged that asset information is more precise and scientific for some classes than information currently available for other classes. This does not mean that staff is providing erroneous information in the budget package, rather there is an evolution underway in our understanding of asset condition. Staff will continue to develop and refine the corporate asset management program and provide linkages and integration to other City planning documents such as but not limited to the annual business plan, annual budgets, and long-term financial plan in order to fulfill the strategic plan of Council.

Appendix-1

Impact	Service Delivery	Technology	People	Strategic	Legal/Reputational	Financial
Extreme (5)	<ul style="list-style-type: none"> Less than 30% of service objectives achieved. Unable to perform several essential services where no alternatives exist. 	<ul style="list-style-type: none"> Unrecoverable loss of information from critical system. External exposure of confidential information Unavailability of critical systems or data loss or corruption. 	<ul style="list-style-type: none"> Death of an employee Major legal judgment against the City in workplace matter. Significant turnover of key employees with ELT Sustained strike of key services 	<ul style="list-style-type: none"> Many actions are significantly at odds with the strategic priorities. 	<ul style="list-style-type: none"> Public/media outcry for change in CAO or Council Senior officials criminally charged or convicted Severe legal judgment against the City in a workplace matter Major integrity breach resulting in complete loss of trust in City Council or Administration. Theft/Fraud>\$1,000,000 	<ul style="list-style-type: none"> Uninsured loss, cost overruns or fines >\$10 M Insured loss > \$100M File for bankruptcy Failure to maintain financial capacity to support current demands. City action results in decrease in economic condition.
Major (4)	<ul style="list-style-type: none"> Less than 45% of service objectives achieved. Unable to perform an essential service where no alternative exists. 	<ul style="list-style-type: none"> Unrecoverable loss of information from important system. External exposure of important information Unavailability of significant systems or data loss or corruption. 	<ul style="list-style-type: none"> Serious injury of one or more employees Legal judgment against the City in workplace matter. Turnover of key employees Sustained strike of services. 	<ul style="list-style-type: none"> Numerous actions are significantly at odds with the strategic priorities. 	<ul style="list-style-type: none"> Public/media outcry for change in CAO or Council Public or senior officials charged or convicted Legal judgment against the City in a workplace matter Integrity breach resulting in decreased trust in City Council or Administration. Theft or Fraud>\$100,000 	<ul style="list-style-type: none"> Uninsured loss, cost overruns or fines of >\$1M - \$10M Insured loss of >\$10M - \$100M Unable to pay employees and contractors on a time. Failure to maintain financial capacity to support current demands. City action results in decrease in economic condition.
Moderate (3)	<ul style="list-style-type: none"> Less than 60% of service objectives achieved. Unable to perform essential service but alternatives exist. 	<ul style="list-style-type: none"> Disruptions of significant systems or data loss or corruption Recoverable loss from important system. 	<ul style="list-style-type: none"> Multiple employee injuries or long-term disability from one incident. Inability to retain or attract competent staff. 	<ul style="list-style-type: none"> Numerous actions are at odds with strategic priorities. 	<ul style="list-style-type: none"> Public/media outcry for removal of management Long-term damage to City's reputation Citizen satisfaction survey indicates unacceptable performance. 	<ul style="list-style-type: none"> Uninsured loss, cost overruns or fines of >\$100K to \$1M Insured loss >\$1M to \$10M Having to delay payments to contractors/suppliers. >20% current demands cannot be services with

Appendix-1

			<ul style="list-style-type: none"> • Increase in stress leave, sick leave or WCB claims. • Work-to-rule union disagreement or short-term strike. 		<ul style="list-style-type: none"> • Complaints elevated to Council level. • Results inconsistent with commitments made to citizens • Theft or Fraud under \$100,000. 	<ul style="list-style-type: none"> existing and approved infrastructure. • City action results in lost revenue for significant number of City businesses.
Minor (2)	<ul style="list-style-type: none"> • Less than 75% of service objectives achieved. • Unable to perform non-essential service. 	<ul style="list-style-type: none"> • Disruptions of systems or data loss or corruption • Disclosure of non-confidential but embarrassing information. 	<ul style="list-style-type: none"> • Reportable employee injury. • Loss of key staff but able to recruit competent replacements • Significant increase (>10%) in number of union grievances. 	<ul style="list-style-type: none"> • Instances of actions at odds with strategic priorities. 	<ul style="list-style-type: none"> • Complaints elevated to the Director level. • Short-term repairable damage to City's reputation • Public outcry for discipline of employee. • Moderate amount of negative media coverage • Theft or Fraud of \$1,000 to \$10,000. 	<ul style="list-style-type: none"> • Uninsured loss, cost overruns or fines of \$10K to \$100K • Insured loss < \$100K - \$1M • Inefficient processes • City action results in reduced economic development.
Insignificant (1)	<ul style="list-style-type: none"> • Less than 90% of service objectives achieved. 	<ul style="list-style-type: none"> • Minor disruptions of secondary systems or data loss or corruption. 	<ul style="list-style-type: none"> • Minor reportable employee injury. • Increase in number of union grievances. 	<ul style="list-style-type: none"> • Minor instances of actions that are at odds with strategic priorities. 	<ul style="list-style-type: none"> • Small amount of negative media coverage or complaints to City. • Non-lasting damage or no reputational damage • Theft or Fraud under \$1,000. 	<ul style="list-style-type: none"> • Uninsured loss, cost overruns or fines < \$10K • Insured loss < \$100K • Loss of replaceable asset.

Likelihood	Unlikely (1)	Possible (2)	Probable (3)	Likely (4)	Very Likely (5)
	Less than 20%	>20% but < 40%	>40% but < 60%	>60% but < 80%	80% or more
	Less frequent than every 10 years	May occur in the next 2 years	Will occur this year or next year at least once	May occur regularly this year	Will occur within a matter of months may reoccur often

Presented To:	Audit Committee
Presented:	Tuesday, Dec 03, 2019
Report Date	Tuesday, Nov 19, 2019
Type:	Managers' Reports

Request for Decision

Governance Audit of the Greater Sudbury Public Library

Resolution

THAT the City of Greater Sudbury approves the recommendations as outlined in the report entitled "Governance Audit of the Greater Sudbury Public Library", from the Auditor General, presented at the Audit Committee meeting on December 3, 2019.

Signed By

Auditor General
Ron Foster
Auditor General
Digitally Signed Nov 19, 19

Relationship to the Strategic Plan / Health Impact Assessment

Audits promote improved governance processes, value for money in operations, and effective safeguards over assets.

Report Summary

This audit indicated that a number of changes are required to the oversight processes for the GSPL and the City's museums in order to fully respond to the requirements within the Public Libraries Act and Ontario Heritage Act as well as the applicable governance standards for community museums.

Financial Implications

No direction financial implications

Governance Audit of the
Greater Sudbury Public Library

November 20, 2019
Final Report



1. ORGANIZATIONAL BACKGROUND

Following the amalgamation that established the City of Greater Sudbury (City), the Greater Sudbury Public Library (GSPL) was formed in accordance with the City of Greater Sudbury Act, the Public Libraries Act (the Act) and By-law 2001-23A of the City.

The GSPL has 13 locations including Main, Azilda, Capreol, Chelmsford, Coniston, Copper Cliff, Dowling, Garson, Levack-Onaping, Lively, New Sudbury, South End and Valley East.

The GSPL Board currently includes six citizens and one member of Council. Members of the Board have also formed the Greater Sudbury Heritage Museums Advisory Panel which oversees the City's four museums in Lively, Copper Cliff, Azilda and the Flour Mill area.

The GSPL's Board entered into a services agreement with the City of Greater Sudbury in 2002 that was by authorized by By-law 2002-24 on February 14, 2002. Under this agreement, the Board appoints the City Solicitor and his or her delegates as the Board's solicitor and the City Treasurer as the Board's Treasurer.

In 2017, the Board passed a resolution to appoint the City's Treasurer as the GSPL Treasurer and the City's Director of Children and Citizen Services as the Chief Executive Officer and Secretary on an interim basis.

For the fiscal the year ended December 31, 2018, the GSPL had revenues of approximately \$0.8 million and expenses of \$6.6 million.

2. GOVERNANCE REVIEW: APPROACH & EXECUTION

This governance audit was completed based on the assessment framework detailed in the *Practice Guide to Auditing Oversight* published by the Canadian Audit & Accountability Foundation. Based on the *Practice Guide*, the following Approach, Objectives and Assessment Criteria were used.

2.1 Approach

The audit focused on the oversight structures and systems in place within the GSPL, including examining:

- Structure and mandate;
- Definition of roles and responsibilities within the GSPL;
- Oversight exercised by the Board over its respective areas of responsibility; and
- Oversight exercised by the City over the GSPL.

2.2 Scope

The scope of the audit included activities from January 1, 2016 to August 31, 2019.

2.3 Objectives & Assessment Criteria

The key objective of this audit was to assess the effectiveness of the design of oversight structures and processes. As such, the audit was not specifically designed to assess whether the oversight processes are operating as designed and/or the outcomes generated by these oversight processes are appropriate. The table below sets out the audit objectives and related assessment criteria.

Audit Area	Objectives	Assessment Criteria
Overall Oversight Framework	To determine whether the structures and processes established for the organization set the framework for effective oversight	The governance structure and mandate of the organization are sufficient and appropriate to provide a framework for effective oversight.
Oversight Roles	To determine whether the board (or governing body) has clear oversight roles and responsibilities and a clear mandate to carry out specific oversight functions	The oversight body and its committees and members have clearly defined oversight roles and responsibilities.
Performance Monitoring	To determine whether the board (or governing body) has put in place adequate systems and practices to monitor the organization's performance in meeting its established objectives	The oversight body has established a performance management framework for the organization. Performance targets and pertinent indicators are in place to enable the oversight body to monitor organizational performance effectively.
City Oversight	To determine whether the City has established a clear framework for the oversight of the organization	The City has defined and communicated its performance expectations and the reporting thereof.

2.4 Execution

The audit was completed based on a number of key activities:

- **Documentary Review:** Relevant documentation was collected and reviewed;
- **Interviews:** All members of the Board as well as the Acting Chief Executive Officer and certain members of senior staff at the City were interviewed; and
- **Informal Benchmarking:** Benchmarking was completed for public library systems in other medium-sized Ontario municipalities.

2.5 Executive Summary

This audit indicated that a number of changes are required to the oversight processes for the GSPL and the City's museums in order to fully respond to the requirements within the Public Libraries Act and Ontario Heritage Act as well as the applicable governance standards for community museums.

2.6 Audit Standards

We conducted our audit in accordance with Generally Accepted Government Auditing Standards which require that we adequately plan for the audit; properly supervise audit staff; obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions; and prepare audit documentation related to the planning, conducting, and reporting for each audit. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

For further information regarding this report, please contact Ron Foster at extension 4402 or via email at ron.foster@greatersudbury.ca

3. OBSERVATIONS

The following section sets out the key observations which generally relate to the design of the oversight structures and processes in place with respect to the GSPL. However, observations related to the operation of these structures and processes are noted where relevant.

3.1 Overall Oversight Framework

Observations:

The oversight framework is not designed effectively to set out the mandate of the Board for proper oversight of the GSPL. Specific concerns include:

- a) The requirement for the GSPL to be under the management and control of the Board as set out in section 3(3) of the Public Libraries Act (the Act) is not clearly identified within the Board manual.
- b) The agreement between the GSPL Board and the City has not been updated since it came into effect on February 14, 2002.
- c) The City has appointed only one member of Council to the Board of the GSPL. This practice is inconsistent with most of the City's municipal peers which appoint a higher number of Council members to their respective Library Boards.

Recommendations:

- a) The requirement for the GSPL to be under the management and control of the Board should be clarified to members who are appointed to the Board during the orientation sessions following each municipal election.
- b) The agreement between the GSPL Board and the City should be updated to align with the Board's powers and duties which are set out in the Act.
- c) Council should consider appointing at least two members of Council to the Board of the GSPL.

Management Responses:

The Library's Board agrees.

The City of Greater Sudbury agrees and will undertake a process to work with the GSPL Board to review and update the operating agreement by the end of Q2 2020.

By the end of Q1 2020, for Council's consideration, the City of Greater Sudbury will bring a recommendation to the CGS Nominations Committee to appoint an additional member of Council to the GSPL.

3.2 Oversight Roles & Responsibilities

Observations:

- a) There are a number of Board duties that are set out in the Act that are not clarified in the current Board Manual, including:

- a. Seek to provide in co-operation with other library boards, a comprehensive and efficient public library service that reflects the community's unique needs;
 - b. Seek to provide library services in the French language, where appropriate;
 - c. Operate one or more libraries and ensure that they are conducted in accordance with this Act and the regulation;
 - d. Fix the times and places for Board meetings and the mode of calling and conducting them, and ensure that full and correct minutes are kept;
 - e. Make an annual report to the Minister and make any other reports or provide any information required by the Public Libraries Act or regulations;
 - f. Make provision for insuring the board's real and personal property;
 - g. Take proper security for the Treasurer for relevant amounts owed to the GSPL;
- b) Although the agreement between the GSPL and City automatically appoints a Treasurer and Solicitor, the statutory obligation of the Board to appoint a Chief Executive Officer and Secretary are not identified; and
 - c) The duties of the Chief Executive Officer and Secretary are not defined within the agreement between the GSPL and the City or in job descriptions.
 - d) The duties of the Treasurer are not identified in the agreement between the GSPL and the City.

Recommendations:

- a) The specific duties and powers of the Board that are set out in the Act should be identified clearly within the Board Manual.
- b) The Board should appoint a Chief Executive Officer and Secretary every 4 years to coincide with the term of the Board.
- c) The duties of the Secretary and Chief Executive Officer should be defined within the agreement between the GSPL and the City and in job descriptions as these individuals have an ongoing working relationship with the Board and important statutory obligations.
- d) The duties of the Treasurer should be identified in the agreement between the GSPL and the City to ensure both the statutory and non-statutory duties are fulfilled.

Management Response:

The Library's Board agrees.

The City of Greater Sudbury agrees and will undertake a process to work with the GSPL Board to review and update the operating agreement by the end of Q2 2020.

3.3 Performance Monitoring

Observations:

The Board has not established systems and practices to monitor the performance of the GSPL or to assess the extent to which its established objectives have been achieved. For example:

- a) The last Strategic Plan that was developed was for 2011 to 2015;
- b) The Board has never approved the annual budget for the GSPL;
- c) The Board has never received financial statements or benchmarking information to monitor the performance of the GSPL;
- d) The Board has never approved the annual report to the Minister; and,
- e) The Board has never conducted an annual performance appraisal for the Chief Executive Officer or Secretary.

Recommendations:

- a) The Board should update the strategic plan.
- b) The Board should approve the annual budget for the GSPL.
- c) The Board should review and approve quarterly financial statements of the GSPL and benchmarking information on an annual basis to allow Board members to monitor the GSPL's performance;
- d) The Board should ensure it reviews and approves the GSPL's annual report to the Minister.
- e) The Board should conduct annual performance appraisals for the Chief Executive Officer and Secretary.

Management Response:

The Library's Board agrees.

The City agrees. In its role as Financial Services Provider, the City of Greater Sudbury will work with the GSPL to establish systems and reporting structures to ensure that the Board has the appropriate information in a timely manner so as to meet its obligations as outlined in this recommendation. This undertaking will be reflected in the updated agreement between the two organizations.

3.4 City Oversight

Observations:

The City has not established an effective general framework for the oversight of the GSPL. For example:

- a) The City does not review and approve a separate annual budget for the GSPL as the financial results are included within the results for Children and Citizen's Services.
- b) The City does not review and approve the annual return to the Minister for the GSPL.

- c) The City does not recruit and appoint separate members to an Advisory Panel to oversee the City's museums in accordance with the Ontario Heritage Act and applicable governance standards for community museums. Instead, the members of the GSPL Board have traditionally been appointed to this panel which meets twice a year in accordance with the Ontario Heritage Act.

Recommendations:

- a) The City should review and approve a separate annual budget for the GSPL.
- b) The City should review and approve the annual return to the Minister for the GSPL.
- c) Following the next election, the City should recruit and appoint members to an Advisory Panel to oversee the City's museums in accordance with the Heritage Act and applicable governance standards for community museums.

Management Response:

The City agrees. In its role as Financial Services Provider, the City of Greater Sudbury will work with the GSPL to establish systems and reporting structures to ensure that the Board has the appropriate information in a timely manner so as to meet its obligations as outlined in this recommendation. This undertaking will be reflected in the updated agreement between the two organizations.

The City will work with the GSPL to establish a process to review and approve the annual return to the Minister.

The City accepts the recommendation regarding museums and will undertake a full strategic review of Greater Sudbury Museums by the end of 2020.

For Information Only

Audit Plans for 2020 to 2022

Presented To:	Audit Committee
Presented:	Tuesday, Dec 03, 2019
Report Date	Monday, Nov 18, 2019
Type:	Correspondence for Information Only

Resolution

For Information Only

Relationship to the Strategic Plan / Health Impact Assessment

Audits promote effective governance practices, value for money in operations and effective safeguards over assets.

Report Summary

This report describes the mandate of the Auditor General's Office and the audit planning process and contains the annual audit plans for 2020 to 2022.

Financial Implications

No direct financial implications.

Signed By

Auditor General

Ron Foster

Auditor General

Digitally Signed Nov 18, 19

Audit Plans for 2020 to 2022

Auditor General's Office
November 15, 2019

Overview

- Mandate of the Auditor General's Office
- Audit Planning Process
- Audit Plans for 2020 to 2022

Mandate of the Auditor General's Office

- The Auditor General is responsible for assisting the Council in holding itself and its administrators accountable for the quality of stewardship over public funds and for achievement of value for money in municipal operations.
- The Auditor General's Office plans, conducts, evaluates and monitors the results of financial, compliance and performance audits (except the financial statement audit) of all programs, activities and functions of all City departments and offices of the Mayor and Council and performs governance audits of agencies, boards, municipally-controlled corporations of the City.
- The Auditor General's Office also conducts investigations, coordinates reporting for the Wrongdoing Hotline and supports the Enterprise Risk Management process.

Audit Planning Process

- The Auditor General submits an annual audit plan to Audit Committee for information by December 31 of each year.
- The annual audit planning process includes an independent risk assessment of municipal audit trends, emerging issues and also considers input from members of Council and the City Manager.
- No deletions or amendments can be made except by the Auditor General.
- Subject to a two-thirds resolution of Council, the Auditor General may complete assignments requested by Council if they are funded from reserves.
- Subject to the provision of additional funding, additional matters may be audited if requested by a Board of Directors of the agencies, boards and corporations that are controlled by the City.

2020	Audit Project Title: Governance (G), Risk (R), Compliance (C), Performance (P), Financial (F)	AG Days	Manager Days	Contract Days	Total Days
	Audits Carried Forward from 2019	18	2		20
2020.1	Enterprise Risk Management	5	5		10
2020.2	Core Services Review Report (C,F,P,R)	10			10
2020.3	GS Airport Governance Audit (G,P,R)	9		1	10
2020.4	Waste Water Services VFM Audit (C,F,P,R)	10	75		85
2020.5	Contract Management Audit (C,F,P,R)	70	15		85
2020.6	Fleet Services VFM Audit (C,F,P,R)	10	75		85
2020.7	IT Security Assessment – Phase 2 (G,P,R)	13.5		1.5	15
	Investigations and Reports on Hotline	30	20		50
	Review of Reports to Council	10			10
	Annual Report to Council	2	8		10
	Annual Risk Assessment & Audit Plan	10			10
	Total Days Assigned to Audits	197.5	200	2.5	400

2021	Audit Project Title: Governance (G), Risk (R), Compliance (C), Performance (P), Financial (F)	AG Days	Manager Days	Contract Days	Total Days
	Audits Carried Forward from 2020	3	7		10
2021.1	Enterprise Risk Management	2.5	2.5		5
2021.2	IT Procurement Audit (C,F,P,R)	9	1		10
2021.3	Procurement Audit (C,F,P,R)	25	5		30
2021.4	Conservation Authority Governance Audit (G,P,R)	1	8	1	10
2021.5	Waste Collection VFM Audit (C,F,P,R)	10	75		85
2021.6	Water VFM Audit (C,F,P,R)	10	75		85
2021.7	Economic Development Services VFM Audit (C,F,P,R)	75	8.5	1.5	85
	Investigations and Reports on Hotline	39	11		50
	Review of Reports to Council	10			10
	Annual Report to Council	3	7		10
	Annual Risk Assessment & Audit Plan	10			10
	Total Days Assigned to Audits	197.5	200	2.5	400

2022	Audit Project Title: Governance (G), Risk (R), Compliance (C), Performance (P), Financial (F)	AG Days	Manager Days	Contract Days	Total Days
2022.1	Enterprise Risk Management	1	4		5
2022.2	Public Health Sudbury Governance Audit (G,P,R)	1	8	1	10
2022.3	Leisure Services VFM Audit (C,F,P,R)	10	75		85
2022.4	Transit VFM Audit (C,F,P,R)	10	75		85
2022.5	Citizens Services VFM Audit (C,F,P,R)	75	10		85
2022.6	Corporate Security Audit (C,F,P,R)	35	5		40
2022.7	IT Security Audit (C,P,R)	8.5		1.5	10
	Investigations and Reports on Hotline	35	15		50
	Review of Reports to Council	10			10
	Annual Report to Council	2	8		10
	Annual Risk Assessment & Audit Plan	10			10
	Total Days Assigned to Audits	197.5	200	2.5	400