



# AUDIT COMMITTEE AGENDA

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Audit Committee Meeting  
**Tuesday, September 17, 2019**  
Tom Davies Square - Council Chamber

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## COUNCILLOR DEB MCINTOSH, CHAIR

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**Mike Jakubo, Vice-Chair**

4:00 p.m. AUDIT COMMITTEE MEETING  
COUNCIL CHAMBER

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## **DECLARATIONS OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF**

## REGULAR AGENDA

### MANAGERS' REPORTS

- R-1. Report dated August 31, 2019 from the Auditor General regarding Performance Audit of Winter Maintenance Programs for Roads. **3 - 13**  
**(RESOLUTION PREPARED)**  
(This report summarizes the results of our recent performance audit of winter maintenance programs for roads.)
- R-2. Report dated August 30, 2019 from the Auditor General regarding Governance Audit of the Downtown Sudbury Business Improvement Area. **14 - 20**  
**(RESOLUTION PREPARED)**  
(This report provides the results of our recent governance audit of the Downtown Sudbury BIA.)

### MEMBERS' MOTION

### ADDENDUM

### CIVIC PETITIONS

### QUESTION PERIOD

### ADJOURNMENT

Presented To:	Audit Committee
Presented:	Tuesday, Sep 17, 2019
Report Date	Saturday, Aug 31, 2019
Type:	Managers' Reports

## **Request for Decision**

### **Performance Audit of Winter Maintenance Programs for Roads**

#### **Resolution**

THAT the City of Greater Sudbury approves the recommendations as outlined in the report entitled "Performance Audit of Winter Maintenance Programs for Roads", from the Auditor General, presented at the Audit Committee meeting on September 17, 2019.

#### **Signed By**

**Auditor General**  
Ron Foster  
Auditor General  
*Digitally Signed Aug 31, 19*

#### **Relationship to the Strategic Plan / Health Impact Assessment**

This report supports the goal of asset management and service excellence within the strategic plan.

#### **Report Summary**

This audit report identifies a need for increased capital expenditures to stem the deterioration of City roads as well as a need for increased winter maintenance budgets to respond to changing weather patterns. It also identifies opportunities to improve risk management and value-for-money within municipal operations.

#### **Financial Implications**

Implementing the recommendations will put upward pressure on future capital budgets.

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Performance Audit of Winter Maintenance  
Programs for Roads

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August 31, 2019

Final Report

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## **AUDIT OBJECTIVE**

To assess the extent of regard for value for money within the winter maintenance programs for the City's roads.

## **BACKGROUND**

The Linear Infrastructure Services Division of the Growth and Infrastructure Department is responsible for the maintenance of roads in accordance with City policies which are based on Minimum Maintenance Standards for Municipal Highways (MMS). These standards stipulate minimum levels of service for maintenance activities such as snow plowing, salting and sanding of roads and sidewalks, snow removal and pothole repairs that collectively accounted for 72.5% of the actual expenditures to date for winter maintenance in 2019. The balance was for ditching, cleanup, supervision and other activities.

Winter maintenance programs for the City's roads are delivered using a mix of City staff and contractors from a network of five depots that are located in the North West, North East, South, South East and South West sections of the City.

The approved capital budget for roads was \$133.6 million in 2018 and \$50.5 million for 2019. During the 2019 budget process, Council also applied the entire amount of one-time additional gas tax of \$10.2 million to road renewal and repairs.

The approved operating budget for the winter maintenance program for roads was \$17.6 million in 2018 and \$18.7 million in 2019.

## **AUDIT SCOPE**

Winter maintenance programs for roads from January 1, 2015 to May 31, 2019.

## **REPORT HIGHLIGHTS**

Despite the recent increases to budgets for City roads, this audit identified a need for increased capital expenditures to stem the deterioration of City roads as well as a need for increased winter maintenance budgets to respond to changing weather patterns. Opportunities to improve risk management and value-for-money within operations were also identified.

## **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](mailto:ron.foster@greatersudbury.ca)

**OBSERVATIONS AND ACTION PLANS:**

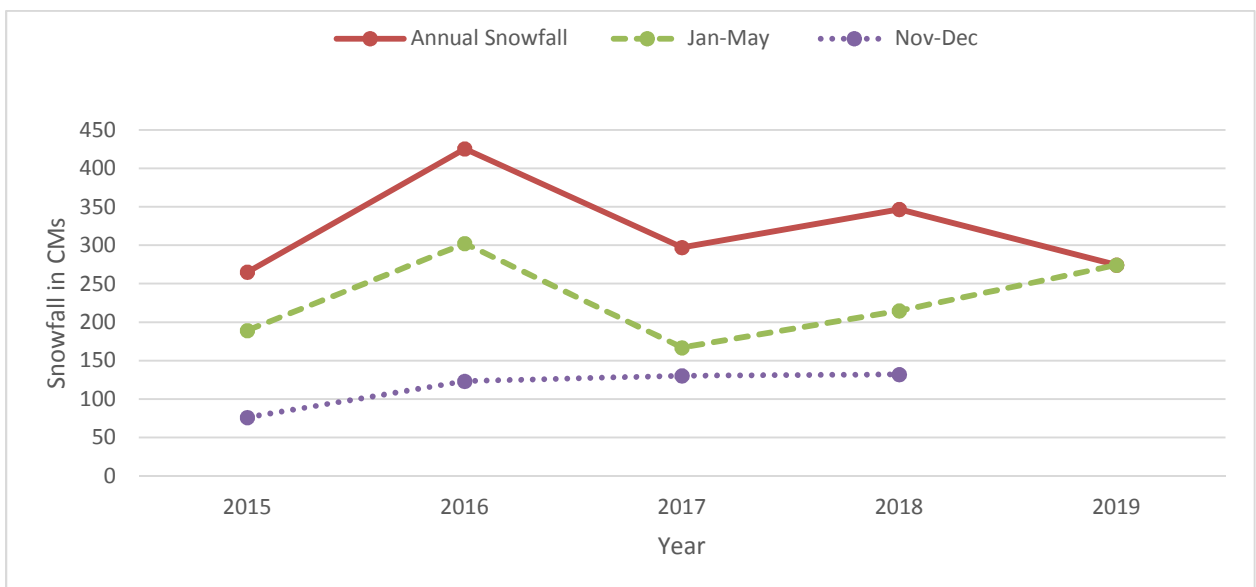
**1. Operating Budgets**

Actual expenditures for winter maintenance on roads exceeded budgeted amounts from 2016 to 2018. Actual expenditures are projected to be approximately \$4 million higher than budget at the end of 2019.

**TABLE 1 – WINTER MAINTENANCE EXPENDITURES FOR ROADS (\$MILLIONS)**

Expenditure Type	12 Months								Pro-rated over 5 Months	
	2015 Budget	2015 Actual	2016 Budget	2016 Actual	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Actual
Contract services	4.1	3.9	4.2	5.9	4.3	5.0	4.4	5.2	3.6	7.7
Salaries & Benefits	4.0	4.0	4.0	4.2	4.1	3.9	4.1	4.7	2.9	3.0
Materials	2.6	2.4	2.7	2.8	2.7	3.8	2.9	3.7	2.0	2.6
Energy costs	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.8	0.5	0.5
Internal Recoveries	5.2	4.9	5.3	5.4	5.4	5.7	5.6	5.5	3.9	3.8
<b>Total</b>	<b>16.5</b>	<b>15.8</b>	<b>16.7</b>	<b>18.9</b>	<b>17.1</b>	<b>19.0</b>	<b>17.6</b>	<b>19.9</b>	<b>12.9</b>	<b>17.6</b>
<b>Over-budget in \$</b>	<b>\$ (0.7)</b>		<b>\$ 2.2</b>		<b>\$ 1.9</b>		<b>\$ 2.3</b>		<b>\$ 4.7</b>	
<b>Over-budget in %</b>	<b>(4.2)%</b>		<b>13.2%</b>		<b>11.1%</b>		<b>13.1%</b>		<b>36.4%</b>	

**GRAPH 1 – SNOWFALL BETWEEN 2015 AND 2019 (CENTIMETERS)**



## Observations :

- Despite progressive annual increases to operating budgets, actual expenditures have been higher in all recent years except in 2015.
- Cost increases in 2019 were primarily due to the increased use of contractors to remove unusually high levels of snowfall in late 2018 and 2019.
- Operating budget shortfalls in recent years have exhausted the winter maintenance reserve and contributed to the depletion of the tax stabilization reserve.

## Recommendation:

Years with high amounts of snowfall, such as 2016, should be included in the 5-year average when determining annual operating budgets.

## Management response:

*Management agrees that recent weather patterns have contributed to budget shortfalls to meet operating service levels. Management would be receptive to considering alternative methods of calculating the annual budget that the Auditor may recommend.*

## 2. Winter Maintenance and Pothole Repair Management

### A. SANDING, SALTING AND PLOWING:

The City's service levels for winter maintenance are based on City policies and provincial Minimum Maintenance Standards (MMS) for sanding, salting, plowing and clearing roads and sidewalks. The budgeted financial resources for these activities comprise roughly 50% of the annual winter maintenance budgets. The City maintains 52 snow plowing routes. Management assigns contractors to 27 routes and City-owned plows to 25 routes. Eighty-six (86) staff are assigned to plow roads, clear sidewalks and operate other equipment for winter maintenance activities. Up to 64 contract staff are used to operate loaders, 4x4s, plows and graders. Resource deployment decisions for winter maintenance activities are made at the depot level by the five supervisors that cover five different areas across the City which spans more than 3500 square kilometers.

## Observations:

1. Our review of winter maintenance events in 2018 and 2019 identified opportunities to make greater use of technology when responding to winter maintenance events.
2. The City does not always make effective use of data from its Road Weather Information Station (RWIS) in Levack or from the Ministry of Transportation's RWIS network when deploying in-house and contract staff to respond to winter maintenance events.

3. Our review of costs indicated that the current 60/40 mix of contractors and in-house staff for sanding, salting and plowing activities does not provide an optimal balance between economy and effectiveness for years with higher levels of snowfall.
4. The last round of collective bargaining resulted in scheduling changes that will provide 6,000 labour hours at regular rates which will reduce annual overtime costs and reliance on contractors.
5. Comparisons of performance are not being made between in-house staff and contractors.

**Recommendations:**

1. Examine opportunities to make greater use of technology when deploying staff and contractors to manage winter maintenance events.
2. Prepare a business case for additional RWIS stations across the City for more proactive resource deployment.
3. Work with Finance staff to prepare a business case for additional staff and equipment to identify the savings that might be realized from reducing reliance on contractors for winter maintenance activities.
4. Consider revising the standing offer for plowing to 8 years to coincide with the expected useful lives of the snow plows to obtain more competitive rates from contractors.
5. Develop performance measures to enable comparisons of the efficiency, economy and effectiveness of City crews and contractors for winter operations.

**Management response:**

1. *Roads Operations will examine opportunities to make greater use of technology when deploying staff and contractors to manage winter maintenance events.*
2. *A business case will be prepared for additional RWIS stations across the City for more proactive resource deployment.*
3. *Management understands that the balance of contracted services versus in-house services requires review on a regular basis. Changes in weather patterns, as well as changes in road usage can impact the ability to maintain service levels with anticipated utilization of contracted services. Business cases will be prepared to analyze alternative service delivery models with additional City staff and equipment.*
4. *Management is currently working on a new plowing service contract and is willing to consider this change.*
5. *Management agrees and will move to incorporate performance measure comparisons throughout the annual business processes.*

**Citizen Satisfaction Survey and Service Complaints**

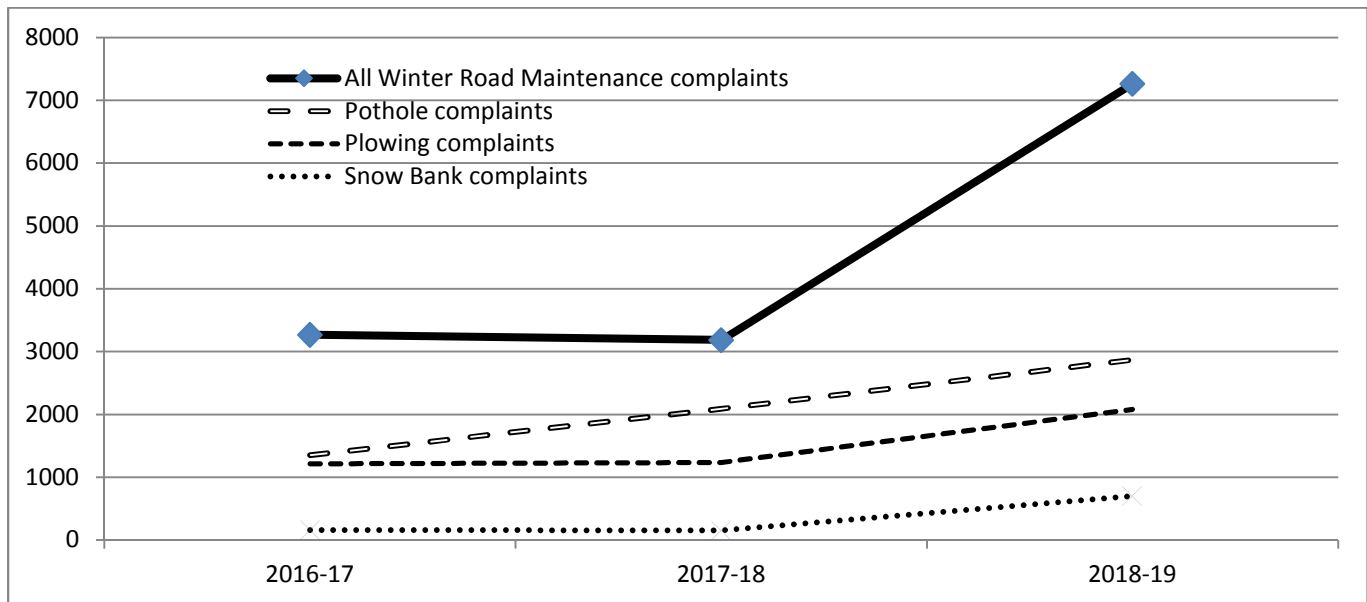
The Auditor General's Office issued a citizen survey to 100 residents in each of the City wards in April 2019 to assess service levels for winter maintenance programs. Table 2 provides a summary of the responses received as well as a comparison of service complaints in the last three winter seasons. Graph 2 indicates that complaints for winter maintenance have been growing since 2016. This trend is not surprising, given the significant amount of snowfall received between November 2018 and May 2019 and the colder than average temperatures during this period which led to higher than normal snow banks.



**TABLE 2 - CITIZEN SATISFACTION SURVEY AND ACR COMPLAINT TREND FOR WINTER MAINTENANCE**

2019 CITIZEN SURVEY RESULTS ON TIMELINESS (T) AND QUALITY (Q)					ACR COMPLAINTS
SERVICE	ACTIVITY	NO RESPONSE	SATISFIED	DISSATISFIED	INCREASE (2016-17 & 2018-19)
ROADS	Sanding, salting and plowing on main roads	T 0% Q 0%	T 67% Q 40%	T 33% Q 60%	60%
	Sanding, salting and plowing on residential roads	T 0% Q 0%	T 40% Q 40%	T 60% Q 60%	
SIDEWALKS	Clearing	T 24% Q 24%	T 33% Q 31%	T 43% Q 45%	90%
BUS STOPS	Clearing	T 53% Q 55%	T 19% Q 18%	T 28% Q 27%	243%
SNOW BANKS	Removal across the City Removal in Downtown	T 17% Q 22%	T 24% Q 21%	T 59% Q 57%	228%

**GRAPH 2 – WINTER MAINTENANCE COMPLAINTS (1-Nov to 30-Apr)**



**Observations:**

1. The City communicates service levels for winter maintenance of roads on the City’s website and in local newspapers. Despite this communication, customer survey responses suggested that many residents are not aware of the different levels of service for the different classes of City roads.
2. The City does not declare significant weather events to warn residents of hazardous road conditions.

## Recommendations:

1. Additional steps should be taken to communicate service levels for winter maintenance on the City's different classes of roads.
2. Significant weather events should be declared to warn residents of weather hazards on the City's roads.

## Management response:

1. *Management agrees. Additional steps will be taken to actively communicate service levels for winter maintenance to residents prior to the 2019/2010 winter season.*
2. *Staff presented a report to Operations Committee at the August 12<sup>th</sup>, 2019 meeting asking for approval to declare significant weather events to warn residents of weather hazards and possible service delays. The report was subsequently ratified at the August 13<sup>th</sup>, 2019 Council Meeting. As per the report, this initiative will be put in place for the 2019-2020 winter season. This option was recently made available through changes to provincial regulations for road maintenance. Management agrees that this new operational feature will improve communications and create a greater awareness among road users, which may assist with customer satisfaction.*

## **B. POTHOLE REPAIR MANAGEMENT**

Like many municipalities in Northern Ontario, the City faces significant challenges managing its road infrastructure with limited capital budgets. To address these challenges, the amount of capital funding for the renewal and repair of existing road infrastructure has nearly doubled during the last 5 years compared to the average annual expenditure between 2002 and 2014. During the 2019 budget process, Council approved a capital budget that included \$50.5 million for new and existing road infrastructure and applied the entire one time additional gas tax of \$10.2 million for 2019 to road renewal and repairs.

In spite of the additional investments made to the City's existing road infrastructure in the last 5 years, this audit revealed that the condition of the City's paved roads has declined since 2002, causing significant potholes every winter and spring. Below, we provide an overview of the annual pothole program as well as our observations and recommendations to address relevant risks.

**Reporting and tracking:** A tracking list is maintained at each of the five depots identifying the location of potholes reported in Active Citizen Requests and those identified during inspections. Repair work for road stretches is prioritized based on road class. Work completed is input and updated in CityWorks.

**Resourcing:** In-house crews and contractors repair potholes identified by road inspections and complaints from residents. Expenditures for pothole repairs in 2019 accounted for approximately 10% of the total.

**Patching:** Subject to availability and weather conditions, road crews are deployed with a 'tracking list' issued by depot scheduling staff that identifies road sections for repair work. Repairs are completed with a variety of materials including cold mix, warm mix and hot mix depending on their availability.

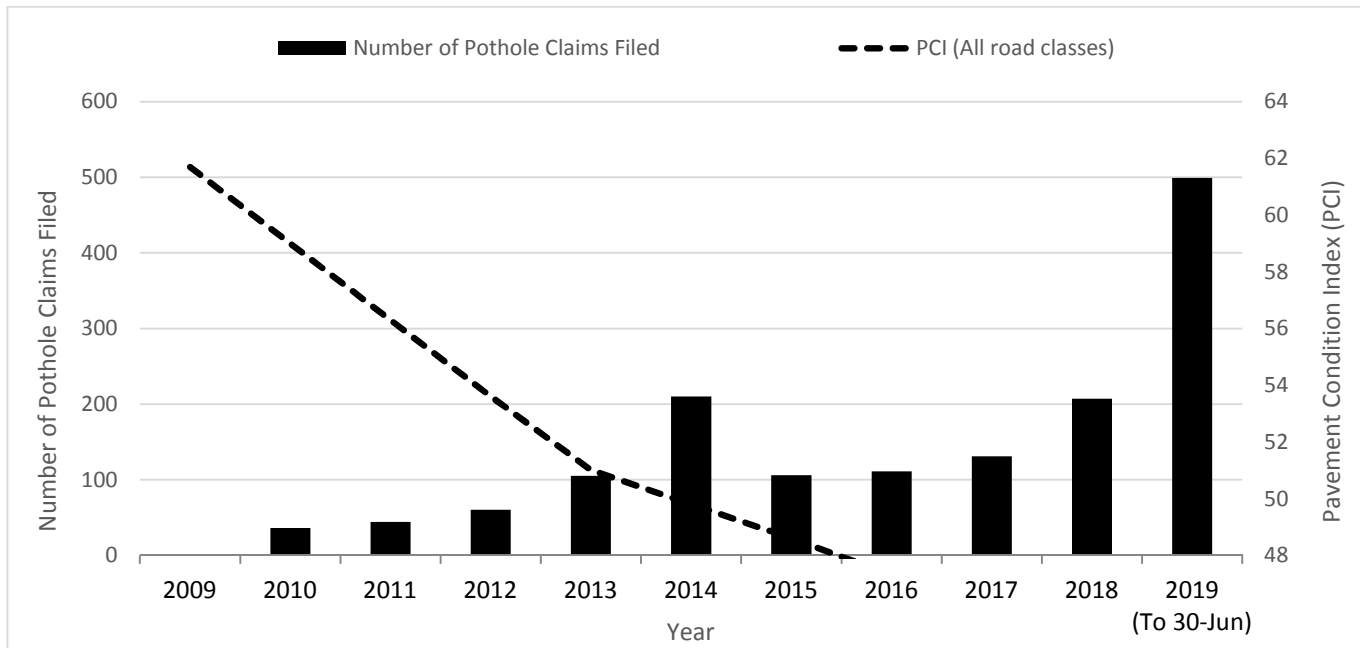
**TABLE 3 - CITIZEN SATISFACTION SURVEY AND COMPLAINTS FOR POTHOLES**

2019 CITIZEN SURVEY RESULTS			COMPLAINTS
SERVICE ACTIVITY	SATISFIED	DISSATISFIED	INCREASE BETWEEN 2016 – 2019
Pothole Repair – Timeliness	8%	92%	112%

**TABLE 4 - COMPARATIVE HOURLY RATES – POTHOLE PATCHING**

Contractor Crew Size	Average Contractor cost/hour in April 2019	Direct Costs per hour of City Crews <sup>1</sup>		
		Regular shift (Weekdays)	Overtime @ 1.5 (Mon – Sat)	Overtime @ 2.0 (Sundays/Holidays)
(3 person crew)	\$237.63	\$157.75	\$199.26	\$242.46
(4 person crew)	\$250.72	\$194.19	\$249.53	\$307.13
(5 person crew)	\$268.21	\$230.63	\$299.80	\$371.80

**GRAPH 3 - TREND OF POTHOLE CLAIMS AND PAVEMENT CONDITION INDEX (PCI)**



**Observations:**

1. Insufficient capital budgets have resulted in the ongoing deterioration of the City’s paved roads which has led to increasing levels of public dissatisfaction and pothole claims filed against the City.

<sup>1</sup> Include costs for labour, benefits, supervision, city equipment and fuel

2. The City currently has insufficient capacity to use recycled asphalt for repairs to the City's paved roads which had an overall PCI rating of less than 50 percent when they were last measured.
3. Comparisons of performance are not being made for in-house staff and contractors.
4. Management typically assesses the conditions of the City's paved roads every two years, but a Pavement Condition Index (PCI) study has not been completed since 2016.

**Recommendations:**

1. Explore ways to increase capital budgets for roads with Finance staff to improve service levels.
2. Prepare a business case to make greater use of recycled asphalt to repair potholes.
3. Develop performance measures to enable comparisons of work of city crews and contractors.
4. Measure the PCI of paved roads every two years to determine current levels of service and ensure that budgets respond effectively to current road conditions.

**Management response:**

1. *A long-term financial plan for road infrastructure was prepared by KPMG for Council's consideration in 2012. In 2018, the overall City long-term financial plan was updated, including the long-term financial requirements for the City's road infrastructure. Management will continue to provide Council with the best available information for consideration in the annual budget process.*
2. *Management generally agrees that the state of road condition can affect the ability of the road maintenance division to perform repairs efficiently as required to meet minimum maintenance standards. Staff commenced a study of best practices in the field of road repair and, is collaborating with the Ministry of Transportation and other Cities in Northern Ontario to complete the study. It is understood that alternative pothole repair strategies and business practices will be incorporated as necessary and as budgets permit. Alternative paving systems and equipment will be evaluated within the scope of current studies. Any changes in service will be presented as a business case or incorporated into the capital prioritization process.*
3. *Staff will develop performance measures to enable comparisons between city crews and contractors.*
4. *In order to ensure that budgets respond effectively to current road conditions, a new vendor has been selected and plans are underway to evaluate the PCI of the paved roads in 2019. Management intend to continue to evaluate pavement condition generally every two years.*

**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 acquisition and application of human and contract resources; development and implementation of formal procedures; acquisition and utilization of plant, equipment and tools; and the collection and utilization of relevant information. Tables 5 and 6 on the next page identify the significant risks associated with winter maintenance programs for the City's roads.

**TABLE 5 – SUMMARY OF SIGNIFICANT RISKS**

Risk	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 (R)	1	1	-	-	-	1	-
Operational (O)	3	3	-	-	-	3	-
Financial (F)	2	2	-	-	1	1	-
Legal (L)	1	1	-	-	-	1	-
<b>TOTAL</b>	<b>7</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>6</b>	<b>0</b>

**TABLE 6 - SIGNIFICANT RISKS**

Risk	Risk Description	Risks Before Controls	Risks After Controls
F1	Capital budgets for roads may not be realistic/adequate	22.5	15.3
O1	The deployment model for winter maintenance may not be economical/efficient	20	13.6
F2	Operating budgets for winter maintenance may not be realistic or adequate	18	12.3
R1	Service levels for winter maintenance may not be communicated adequately, leading to public dissatisfaction.	16	12.3
O2	The deployment model for winter maintenance may not be effective	16	11.6
O3	Claims prevention processes for winter maintenance may not be effective	16	11.6
L1	Service levels for winter maintenance may not be met, leading to successful claims against the City	16	11.6

**Observations:**

Management has taken steps to mitigate significant risks within the winter maintenance programs for roads.

**Recommendation:**

Management should further mitigate risks after controls that are greater than 12 or accept these risks with the approval of Council following the completion of the annual enterprise risk assessment and core service review.

**Management response:**

*Management agrees and will continue to periodically review mitigation processes for all significant risks.*

Presented To:	Audit Committee
Presented:	Tuesday, Sep 17, 2019
Report Date	Friday, Aug 30, 2019
Type:	Managers' Reports

## **Request for Decision**

### **Governance Audit of the Downtown Sudbury Business Improvement Area**

#### **Resolution**

THAT the City of Greater Sudbury approves the recommendations as outlined in the report entitled "Governance Audit of the Downtown Sudbury Business Improvement Area", from the Auditor General, presented at the Audit Committee meeting on September 17, 2019.

#### **Signed By**

**Auditor General**  
Ron Foster  
Auditor General  
*Digitally Signed Aug 30, 19*

#### **Relationship to the Strategic Plan / Health Impact Assessment**

This report aligns with the strategic goal of attracting, developing and retaining business within the City.

#### **Report Summary**

This report provides recommendations to clarify the Downtown Sudbury BIA's oversight roles and responsibilities as well as its practices to monitor the organization's performance. It also recommends that the City update its bylaws to clarify its expectation that the Downtown Sudbury BIA will operate within its legislated mandate.

#### **Financial Implications**

None

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Governance Audit of the  
Downtown Sudbury  
Business Improvement Area

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August 30, 2019  
Final Report

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## 1. ORGANIZATIONAL BACKGROUND

The *Municipal Act, 2001* indicates that a local municipality may designate an area as an improvement area and establish a Board of Management to oversee the improvement, beautification and maintenance of municipally-owned land, buildings and structures in the area beyond that provided at the expense of the municipality generally; and to promote the area as a business or shopping area.

Once an improvement area is established, all those within the area that pay property tax are automatically included in the membership and contribute to the budget of the Board of Management that is financed by a levy on municipal property taxes on the members in the area. A Board of Management is exempt from income taxes under the Income Tax Act.

The Sudbury Metro Centre was established in 1977 as a Board of Management for the improvement of the area known as the Central Business District of the City of Sudbury in accordance with the *Municipal Act, 1970*, and By-law 77-76 of the Corporation of the City of Sudbury. The Sudbury Metro Centre became known as the Downtown Sudbury Business Improvement Area, and more recently, as Downtown Sudbury.

In accordance with section 204(2) of the *Municipal Act, 2001*, Downtown Sudbury is a self-funded corporation that is a not-for-profit organization to which businesses in the area defined as the “C-M” district under Zoning By-law 62-192 (The Area), jointly contribute and raise funds for programs and activities that promote business and improve The Area.

By-law 2010-229 indicates that the Board of Management shall consist of 9 persons qualified as Non-Direct Council Appointees and a maximum of 2 and no less than 1 persons qualified as Direct Council Appointees. Other than a Member of Council, a person appointed to the Board must be: assessed with respect to rateable property in The Area that is in a prescribed business property class and be on the last returned assessment roll; or be a tenant of property in The Area who is, under a lease, required to pay all or part of the taxes of the property; or nominated by those persons referred to above. The Executive Committee, which is elected by the Board, is given the authority to transact the business of the Board between meetings and to ensure issues that arise are communicated to the Board.

The initial focus of the Board of Management was on a streetscaping program and a campaign to promote awareness to businesses and services within the downtown. In the late 1980s, it promoted major programs such as the Downtown Community Improvement Plan, the Downtown Development Action Plan and the Strategic Plan for Sudbury Metro Centre, and initiated the Downtown Farmers’ Market. In the 1990s, it completed a Downtown Strategic Plan and focused on development issues such as housing and the Farmer’s Market and continued to promote The Area following the amalgamation that formed the City of Greater Sudbury.

In 2012, Downtown Sudbury completed the Downtown Master Plan in partnership with the City of Greater Sudbury to promote the importance of having a strong and vibrant downtown. In 2016, Downtown Sudbury developed a Strategic Plan with objectives for special events, marketing, municipal liaison, downtown environment, economic development, member advocacy and organizational effectiveness.



## 2. GOVERNANCE REVIEW: APPROACH & EXECUTION

This governance audit was completed based on the assessment framework detailed in the *Practice Guide to Auditing Oversight* (“*Practice Guide*”) published by the Canadian Audit & Accountability Foundation.

### 2.1 Approach

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

- Structure and mandate of Downtown Sudbury;
- Definition of roles and responsibilities of Downtown Sudbury;
- Oversight exercised by the Board over its respective areas of responsibility; and
- Oversight exercised by other government bodies over Downtown Sudbury.

### 2.2 Scope

The scope of the audit of included activities from January 1, 2016 to August 15, 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 review objectives and related assessment criteria.

Audit Area	Objectives	Assessment Criteria
<b>Overall Oversight Framework</b>	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
<b>Oversight Roles</b>	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
<b>Performance Monitoring</b>	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 properly organizational performance
<b>City Oversight</b>	To determine whether the City/other oversight bodies has established a clear framework for the oversight of the organization	The City (or other oversight body) has defined and communicated its expectations with regard to organizational performance and the reporting thereof

## 2.4 Execution

The audit was completed based on the following key activities:

- **Documentary Review:** Relevant documentation was collected and reviewed in relation to objectives and assessment criteria;
- **Interviews:** Interviews were conducted with the Co-Chairs of the Board of Directors and Executive Director of Downtown Sudbury as well as with the Acting Director of Economic Development of the City of Greater Sudbury; and
- **Informal Benchmarking:** Limited, informal benchmarking analysis was completed based on available documentation and stakeholder input.

## 2.5 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](mailto: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 Downtown Sudbury. However, observations related to the operation of these structures and processes are noted in italics where relevant.

### 3.1 Overall Oversight Framework

The oversight framework is generally effectively designed and the governance structure and mandate of the organization are sufficient and appropriate to provide a framework for effective oversight. For example:

- a) The mandate of Downtown Sudbury is documented within the Board Member Manual and most recent strategic plan from 2016.
- b) The mandate of the Board is clearly defined in the Organizational Manual.
- c) The Executive Committee has a clearly defined mandate.

### 3.2 Oversight Roles & Responsibilities

The oversight roles and responsibilities of the board are set out within the Organizational Manual but the expectations for the Executive Director are not clearly defined in a job description.

- a) The Job descriptions for the Chair, Vice-Chair and Treasurer are included in the Organizational Manual.

- b) The Organizational Manual includes a statement of responsibility of the individual board members.
- c) Downtown Sudbury provides orientation training to new board members.
- d) The board prepares an annual budget and work plan with the assistance of the Executive Director.
- e) The board is responsible for reviewing and approving all reports to Council including annual financial statements and annual budgets.
- f) *The board does not conduct an annual performance appraisal of the Executive Director.*

### **3.3 Performance Monitoring**

The board has established systems and practices to monitor the performance of the organization and to assess the extent to which its established objectives have been achieved. For example:

- a) The Strategic Plan was developed with the input of the previous board and includes specific initiatives to support the objectives for seven different pillars.
- b) The board receives and reviews a monthly reporting package from the Executive Director that includes progress on major projects in the work plan.
- c) The board receives periodic updates showing actual results versus the annual budget.
- d) The Chair and Executive Director report on progress against the short, medium and long-term initiatives within the annual work plan at monthly board meetings.
- e) The board reviews progress against the objectives within the 2016 strategic plan on an annual cumulative basis.
- f) The board receives regular updates regarding progress towards the objectives within the Downtown Master Plan.

### **3.4 City Oversight**

While the City has established a general framework for the oversight of the organization which includes the review and approval of annual budget and annual audited financial statements of Downtown Sudbury, a number of opportunities for improvement were identified.

- a) The City was aware that the 2018 budget included a \$20,000 contribution to support appeals of the City's decision to locate a new arena on the Kingsway. In fact, staff recommended to the Finance and Administration Committee in May 2018 that the City of Greater Sudbury approve all of the proposed 2018 budget but for the part which includes the \$20,000 allocation to fund an appeal to the Local Planning Appeal Tribunal. Due to the ambiguous nature of the legislated mandate of Downtown Sudbury, the Finance and Administration Committee voted to approve its entire budget for 2018. Council ratified this decision at their next meeting.

- b) The City was not aware until recently that the board of Downtown Sudbury had allocated another \$20,000 from its reserve fund in September 2018 to support these appeals.
- c) In April 2019, Sudbury Downtown filed an application with the Superior Court of Justice to quash several City by-laws that pertain to plans for the City's new arena.
- d) In August 2019, Sudbury Downtown instructed its solicitor to withdraw its application.

#### **4. FINDINGS AND RECOMMENDATIONS**

The audit assessed the effectiveness of the design of oversight structures and processes. As noted above, the audit was not specifically designed to assess whether the oversight processes are operating as designed and/or the effectiveness of the outcomes generated by these oversight processes.

Based on the results of the audit, the oversight structures and processes with respect to Downtown Sudbury are effectively designed. Notwithstanding, some concerns have been identified along with responses from the Board of Downtown Sudbury and the City of Greater Sudbury.

- 1) The Board is not responsible for preparing the annual performance appraisal of the Executive Director.

On behalf of the Board, the Co-Chairs should complete an annual performance appraisal for the Executive Director to identify both accomplishments and areas for improvement.

##### ***Management Response from Downtown Sudbury***

*The Executive agrees with your recommendation and further recommends that this review be undertaken in the fall which will coincide with the Board's annual Budget/Work Plan preparation. Further, this should be included in the overall Board 'Organization Manual' and also include that the Executive Director also conduct similar reviews of any additional staff. It was also noted that these reviews should be a two-way discussion with Staff having the opportunity to provide feedback to the Board.*

- 2) The City's oversight duties include monitoring the activities of Downtown Sudbury to ensure they align with its legislated mandate which is set out in the *Municipal Act, 2001*.

Since the sections of the *Municipal Act, 2001* that describe the legislated mandate of Board of Management for a Business Improvement Areas are somewhat ambiguous, the City should update the City's relevant by-laws to identify activities of Downtown Sudbury that fall outside of its legislated mandate.

##### ***Management Response from City of Greater Sudbury***

*We agree. Staff will prepare a report with recommendations for Council's consideration to update bylaw(s) governing business improvement areas. This will be part of 2020 work plans, with a report to Council no later than the fourth quarter of 2020.*