AUDIT COMMITTEE AGENDA

Audit Committee Meeting
Tuesday, May 15, 2018
Tom Davies Square

COUNCILLOR DEB MCINTOSH, CHAIR

Mike Jakubo, Vice-Chair

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

City of Greater Sudbury Council and Committee Meetings are accessible and are broadcast publically online and on television in real time and will also be saved for public viewing on the City's website at: https://agendasonline.greatersudbury.ca.

Please be advised that if you make a presentation, speak or appear at the meeting venue during a meeting, you, your comments and/or your presentation may be recorded and broadcast.

By submitting information, including print or electronic information, for presentation to City Council or Committee you are indicating that you have obtained the consent of persons whose personal information is included in the information to be disclosed to the public.

Your information is collected for the purpose of informed decision-making and transparency of City Council decision-making under various municipal statutes and by-laws and in accordance with the *Municipal Act, 2001, Planning Act, Municipal Freedom of Information and Protection of Privacy Act* and the City of Greater Sudbury's *Procedure By-law.*

For more information regarding accessibility, recording your personal information or live-streaming, please contact Clerk's Services by calling 3-1-1 or emailing clerks@greatersudbury.ca.

DECLARATIONS OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF

REGULAR

MANAGERS' REPORTS

R-1. Report dated May 1, 2018 from the Auditor General regarding Wrongdoing Hotline Status Report . **3 - 9**
(RESOLUTION PREPARED)

(This report outlines the status as of December 31, 2017 on the Wrongdoing Hotline.)

R-2. Report dated May 1, 2018 from the Auditor General regarding Facilities Audit Report. **10 - 16**
(RESOLUTION PREPARED)

(This report outlines the Facilities Audit Report.)

R-3. Report dated May 1, 2018 from the Auditor General regarding Governance Audit of the Greater Sudbury Housing Corporation. **17 - 26**
(RESOLUTION PREPARED)

(This report outlines the Greater Sudbury Housing Corporation (GSHC) Governance Audit.)

ADDENDUM

CIVIC PETITIONS

QUESTION PERIOD AND ANNOUNCEMENTS

NOTICES OF MOTION

ADJOURNMENT

Presented To:	Audit Committee
Presented:	Tuesday, May 15, 2018
Report Date	Tuesday, May 01, 2018
Type:	Managers' Reports

Request for Decision

Wrongdoing Hotline Status Report

Resolution

THAT the City of Greater Sudbury extends the operation of the wrongdoing hotline to the end of June 2019 as outlined in the report entitled "Wrongdoing Hotline Status Report", from the Auditor General, presented at the Audit Committee meeting on May 15, 2018.

Signed By

Auditor General
Ron Foster
Auditor General
Digitally Signed May 1, 18

Relationship to the Strategic Plan / Health Impact Assessment

This report relates to the priority of 'Responsive, Fiscally Prudent, Open Governance' initiatives as outlied in 2015-2018 Corporate Strategic Plan.

Report Summary

Residents/staff have filed complaints to the wrongdoing hotline.

In accordance with stated priority of 'Open Governance', complaints need to be properly investigated.

Our analysis identified a higher than anticipated volume of complaints due to some confusion about the purpose of the 'Wrongdoing' Hotline.

Nine complaints out of 83 complaints received resulted in action planned or taken to improve future compliance with CGS policies.

Financial Implications

There are sufficient funds in the budget to cover the wrongdoing hotline.

Status Report on the Wrongdoing Hotline

Seven Month Period Ended
December 31, 2017

May 1, 2018

Greater Sudbury
www.greatersudbury.ca
AUDITOR GENERAL

BACKGROUND

On June 1, 2016, the City opened its 'Wrongdoing Hotline' for citizens, employees and contractors to report complaints that could be deemed illegal, dishonest, wasteful or a deliberate violation of policy.

This report summarizes the complaints received from June 1 to December 31, 2017 and provides comparative statistics for the same seven-month period in 2016. The next status report will be provided in June of 2018.

OBSERVATIONS

1. The volume of complaints has been marginally higher in comparison to the previous seven-month period with 83 complaints in 2017 compared to 80 during the seven month period from June 1 to December 31. Approximately half (42 of 83) of these complaints did not require a detailed investigation as they related to service complaints that fell outside the scope of the hotline (33 of 83) or could be closed after an initial review (8 of 83) due to insufficient support or information.

2. The volume of active complaints under investigation at the end of December 2017 had more than doubled from 16 to 33 due to other work pressures. All but one of these complaints had been closed by April 30, 2018.

3. The costs for investigations by third parties were $4,125 for the seven-month period ended December 2017 and approximately $19,000 for the previous period in 2016. Internal costs to administer the hotline during this period were approximately $18,900 ($2016 - $17,000) excluding start up costs.

4. Approximately $11,000 has been spent of the $20,000 of funds that Council approved in 2016 to establish a wrongdoing hotline for a two-year pilot period which ends on May 31, 2018. To allow for an adequate evaluation of the hotline, it is recommended that the operation of the hotline be extended to the end of June 2019. Sufficient funds remain to cover the costs for this period.

5. The 83 complaints that were received during this period came from 77 complainants who represent a small fraction of the residents and businesses that interacted with the City during the seven month period ended December 31, 2017.

COMPLAINT STATISTICS

Source of Complaint	7 months ended Dec 2016	7 months ended Dec 2017	June	July	Aug	Sept	Oct	Nov	Dec
Total complaints	**97**	**90**	16	8	8	22	19	7	10
Tests	(4)	-	-	-	-	-	-	-	-
Incomplete complaints[1]	(13)	(7)	(1)	-	-	(1)	(2)	(3)	-
Complaints received	**80**	**83**	15	8	8	21	17	4	10
Complaints closed	(64)	(50)	(9)	(7)	(7)	(14)	(9)	(1)	(3)
Active complaints under investigation	**16**	**33**	6	1	1	7	8	3	7

[1] Represents complaints that were started but not submitted.

Management of Complaints	2016	2017
Complaints received in 7 months ended December	**80**	**83**
Referred to Bylaw for review	(14)	(16)
Referred to 311 for review	(4)	(5)
Referred to Building Services for review	(2)	(2)
Referred to external law enforcement	(2)	(2)
Unrelated to CGS services	(10)	(7)
Duplicate complaint	-	(1)
Complaints subject to initial investigation	**48**	**50**
Closed as no evidence of wrongdoing found	(22)	(1)
Closed with no action planned or required	(2)	(7)
Complaints subject to detailed investigation	**24**	**42**
Complaints closed with action planned or taken (see table below)	(8)	(9)
Active complaints under investigation at end of December	**16**	**33**

Closed Complaints with Action Planned or Taken at December 31, 2017

Complaint	Opened	Closed	Action Planned or Taken for Closed Complaints
17-0087	June 5	Oct 10	Supervisor coached staff member on the appropriate use of CGS resources.
17-0093	June 24	Sept 8	Supervisor coached the staff member as well as other staff members on the appropriate use of social media.
17-0106	July 9	Oct 31	Feedback from the Resident Advisory Panel will be considered by Leisure Services during the renewal process for the agreement with the contractor.
17-0108	July 17	Dec 13	Supervisors have been asked to remind staff to ensure they drive safely.
17-0113	Aug 11	Dec 13	A commitment was made to review the use of CGS tools in this area.
17-0114	Aug 11	Oct 19	The Annual Status Report has been subject to audit to ensure it is prepared in accordance with generally accepted reporting practices.
17-0127	Sept 13	Oct 18	The Transit Task Force continues to meet to discuss and make recommendations to enhance the safety of both bus operators and citizens.
17-0133	Sept 18	Dec 12	Staff will continue to provide oversight and supervision of any resident who performs some of tasks as part of the Pieces training program in Pioneer Manor to ensure residents follow proper and safe procedures, including proper hand hygiene.
17-0150	Oct 18	Dec 13	Senior staff spoke directly with the complainant and with the staff person to resolve this complaint.

Type of Complaints subject to detailed investigation between June 1 and December 31, 2017

Type of Complaint Subject to Investigation	Complaints Received	Complaints Closed	Active Complaints
Members of Council	14	(1)	13
Staff	23	(14)	9
City Services	17	(9)	8
Contractors/Businesses	11	(10)	1
Residents	18	(16)	2
Total	**83**	**(50)**	**33**

Overview of Individual Complaints as at December 31, 2017

Complaint Number	Opened	Closed	Complaint/Allegation	Investigation Outcome
17-0087	June 5	Oct 10	Conduct of staff	Action Planned or Taken
17-0089	June 6	Oct 10	Misrepresenting to collect welfare	Not related to CGS Services
17-0090	June 7	Dec 8	Misuse of social media	No Action Planned or Taken
17-0091	June 16	Oct 10	Littering around parks	Not related to CGS Services
17-0092	June 23	Oct 10	Conduct of staff	No Action Planned or Taken
17-0093	June 24	Sept 8	Conduct of staff	Action Planned or Taken
17-0094	June 25	Open	Conduct of a member of Council	
17-0095	June 26	Open	Conduct of a member of Council	
17-0096	June 26	Dec 12	Conduct of a staff member	Referred internally
17-0097	June 26	Open	Conduct of a member of Council	
17-0098	June 27	Open	Conduct of a member of Council	
17-0099	June 27	Dec 8	Illegal dumping	Referred internally
17-0100	June 28	Dec 8	Conduct of a staff member	No Action Planned or Taken
17-0101	June 29	Open	Conduct of a member of Council	
17-0102	June 29	Open	Conduct of a staff member	
17-0103	July 3	Nov 2	Contractor abuse	No Action Planned or Taken
17-0104	July 4	Open	Conduct of a member of Council	
17-0105	July 7	Aug 17	Noise complaint	Referred internally
17-0106	July 9	Oct 31	Conduct of business activities in parks	Action Planned or Taken
17-0107	July 11	Oct 11	Delayed restoration by a City contractor	Referred internally
17-0108	July 17	Dec 13	Unsafe operation of vehicle by staff	Action Planned or Taken
17-0109	July 24	Aug. 17	Property damage of a resident	Not related to CGS Services
17-0110	July 24	July 25	Parking mobility scooter	Not related to CGS Services
17-0111	Aug 9	Open	Conduct of a member of Council	
17-0112	Aug 9	Aug. 17	Misuse of handicap parking area	Referred internally
17-0113	Aug 11	Dec 13	Misuse of CGS assets	Action Planned or Taken
17-0114	Aug 11	Oct 19	Reliability of status report	Action Planned or Taken
17-0115	Aug 11	Dec 13	Conduct of staff	Repeat complaint
17-0116	Aug 15	Aug 16	Noise and disturbance	Referred to law enforcement or legal authority
17-0117	Aug 23	Sept 14	Zoning and construction	Referred internally
17-0118	Aug 27	Aug 30	Neighbor behavior	Referred internally
17-0119	Sept 1	Open	Invasive species management	
17-0120	Sept 1	Open	Conduct of staff and management of Freedom of information requests	
17-0121	Sept 4	Open	Conduct of staff members	
17-0122	Sept 6	Oct 11	Easement	Referred internally
17-0123	Sept 6	Oct 12	Garbage	Referred internally
17-0125	Sep 11	Oct 12	Parking hazard	Referred internally
17-0126	Sept 13	Open	Conduct of a staff member	
17-0127	Sept 13	Oct 18	Transit operator safety	Action Planned or Taken
17-0128	Sept 14	Oct 11	Unlicensed garage operation	Referred internally
17-0129	Sept 14	Oct 11	Misuse of welfare	Referred internally

17-0130	Sept 14	Sept 15	Incomplete complaint	No Action Planned or Taken
17-0131	Sept 14	Oct 11	Conduct of a resident of Sudbury Housing	Referred to law enforcement or legal authority
17-0132	Sept 15	Open	Person working without a permit	
17-0133	Sept 18	Dec 12	Long term care residents are doing the work of staff	Action Planned or Taken
17-0134	Sept 18	Sept 21	Conduct of a business	Referred internally
17-0135	Sept 19	Open	Storm drain pipe against family home	
17-0136	Sept 25	Sept 25	Conduct of a business in City	Referred internally
17-0137	Sept 27	Oct 5	Conduct of staff	Referred internally
17-0138	Sept 29	Oct 6	Yard trees on corner of an intersection exceed bylaw restrictions	Referred internally
17-0139	Sept 28	Open	Concerns about the merits of a plan to renovate the kitchen in a fire hall	
17-0140	Sept 29	Oct 4	Potential wrongdoing by a sports association	Not related to CGS Services
17-0141	Oct 1	Dec 8	Conduct of staff	Insufficient evidence of wrongdoing
17-0142	Oct 1	Dec 12	Smoking bylaw infractions by a resident	Referred internally
17-0143	Oct 5	Nov 7	Request for refund	No Action Planned or Taken
17-0144	Oct 6	Dec 13	Conduct of staff	Referred internally
17-0145	Oct 12	Open	Conduct of staff	
17-0146	Oct 14	Oct 16	Resident feeding pigeons leads to health hazard	Referred internally
17-0147	Oct 14	Open	Allegation that an unofficial daycare is being run in City facility	
17-0148	Oct 16	Open	Conduct of members of Council	
17-0150	Oct 18	Dec 13	Social assistance and housing	Action Planned or Taken
17-0151	Oct 19	Nov 17	Unfair process denying safe and open access to our property	No Action Planned or Taken
17-0152	Oct 24	Open	Allegation that a City facility is not equipped for recycling	
17-0153	Oct 24	Open	Conduct of staff	
17-0154	Oct 25	Oct 31	Lack of regard for parking by-laws	Referred internally
17-0156	Oct 27	Oct 31	Hydro bills waste paper and are not environmentally friendly	Not related to CGS Services
17-0157	Oct 30	Open	Merits of a new staff position	
17-0158	Oct 30	Open	Potential conflict of interest by a member of Council	
17-0159	Oct 31	Open	Conduct of a member of Council	Repeat complaint
17-0160	Nov 2	Open	Conduct of a member of Council	
17-0162	Nov 7	Open	Alleged exclusive use of a property by City employees	
17-0164	Nov 19	Dec 8	Removal of gravel during snow plowing	Referred internally
17-0166	Nov 22	Open	Potential conflict of interest by a member of Council	

17-0167	Dec 3	Dec 8	Activities at a condemned building	Referred internally
17-0168	Dec 4	Open	Garbage collection	
17-0169	Dec 5	Open	Potential conflict of interest by a member of Council	
17-0170	Dec 6	Dec 13	Social assistance	Not related to CGS Services
17-0171	Dec 6	Open	Fumes from trucks for construction work	
17-0172	Dec 7	Open	Potential conflict of interest by members of Council	
17-0173	Dec 12	Dec 15	Inadequate snowplowing	Referred internally
17-0174	Dec 19	Open	Poor quality of snowplowing	
17-0175	*Dec 19*	*Open*	*Allegation of theft in workplace*	
17-0176	Dec 30	Open	Car parked in no parking area	

Complaints that were still "Open" at the end of April 30, 2018 are shown above with italics and shading.

Presented To:	Audit Committee
Presented:	Tuesday, May 15, 2018
Report Date	Tuesday, May 01, 2018
Type:	Managers' Reports

Request for Decision

Facilities Audit Report

Resolution

THAT the City of Greater Sudbury endorses the recommendations as outlined the report entitled "Facilities Audit Report", from the Auditor General, presented at the Audit Committee meeting on May 15, 2018.

Signed By

Auditor General
Ron Foster
Auditor General
Digitally Signed May 1, 18

Relationship to the Strategic Plan / Health Impact Assessment

This report supports the strategic pillar of maintaining sustainable infrastructure by prioritizing, building and rebuilding our community's foundation.

Report Summary

To ensure the corporate strategic goal of sustainable infrastructure can be met, it is recommended that staff move forward expeditiously with the development of the asset management strategy and provide Council with annual updates on how the service levels, costs and risks associated with the City's ageing facilities and other infrastructure are being managed.

Opportunities to improve the coordination and cost-effectiveness of facility maintenance processes were also identified during this audit.

Financial Implications

Until the asset management strategy is complete, the service level, financial and risk implications associated with the City's ageing facilities and other infrastructure will remain unclear.

Audit of Facilities Management

MAY 1, 2018
FINAL REPORT

AUDITOR GENERAL

SUMMARY

Objectives

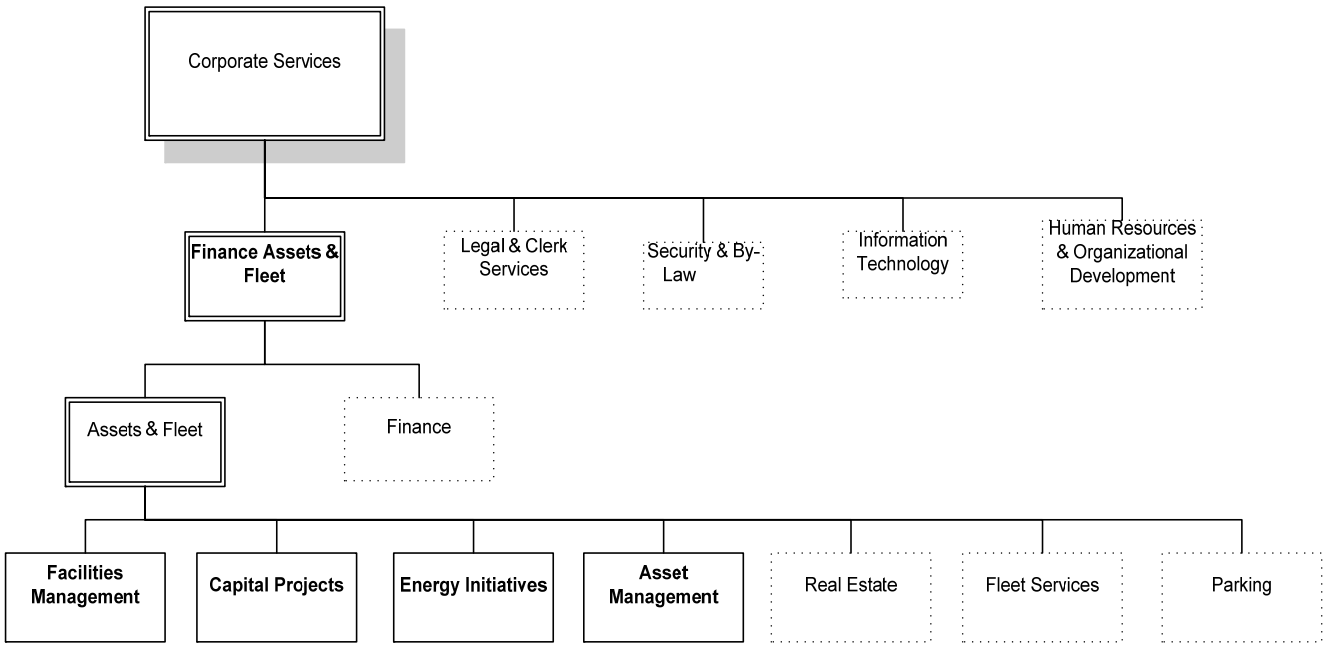
The objectives of this audit were to review and assess the effectiveness of processes to manage the City of Greater Sudbury's facilities and associated risks and to recommend improvements to these processes.

Background

Asset management planning is the process of making the best possible decisions regarding the acquisition, operation, maintenance, renewal, replacement and disposition of infrastructure assets and is regarded as a best practice for long-term financial planning. Facilities are municipal structures and are a significant component of a municipality's assets that need to be managed effectively to maintain service levels and to fulfill legislated responsibilities. Older facilities that continue in use beyond their useful life provide lower service levels, higher maintenance costs and increased risks to employees and users of these facilities. Periodic condition assessments, repairs and renewals and planned replacements are required to manage facility lifecycle costs effectively.

Recognizing the need to address weaknesses in the City's asset management planning processes and to adhere with provincial legislation, management issued an RFP in 2016 for the preparation of an asset management plan. KPMG was awarded the contract and staff reported to Council in December 2016 on the Asset Management Plan (AMP). The AMP pointed out that the City has infrastructure with replacement costs of approximately $7.2 billion. Approximately $3.1 billion of these assets - including $325 million of facilities - are operating beyond or near the end of its useful service life. As the City cannot afford to replace all these assets, KPMG recommended other options be pursued such as rationalizing these assets, extending their service lives, and implementing an infrastructure surcharge to cover increasing costs for their maintenance and replacement.

In 2017, the Corporate Services Division was established in part to illustrate the relationship between services, service levels and cost within the City. The Asset and Fleet Services Section was created in late 2017 to deliver the following services that were included in the scope of this audit: Asset Management, Facilities Management, Capital Projects and Energy Initiatives. Real Estate, Fleet Services and Parking were excluded from our scope.



The four groups that were subject to audit were staffed by 12 Full-Time Equivalents with part time hours of 4,602 and an operating budget of $5.2 million in 2017. Comparative budget figures are shown below.

(Amount in 000s)

Cost Center	2016 Budget	2017 Budget	2018 Budget
1540 – Admin & Misc Properties	1,799.9	1,954.3	2,154.2
1541 – 199 Larch Street	3,042.8	3,042.8	3,151.6
1542 – Energy Management	173.9	176.2	179.1
Totals	**5,016.6**	**5,173.3**	**5,484.9**

The City has approximately 550 facilities with a replacement value of approximately $751 million. These facilities comprise a diverse mix of structures such as works depots, fire halls, libraries, and community centers that are spread across the city.

Scope

The scope of this audit includes activities relating to management of the City's facilities from January 1, 2016 to March 31, 2018.

Report Highlights

In October 2017, staff reported on the steps that will be taken over the next several years to prepare an asset management strategy to address the City's ageing facilities and other infrastructure. To ensure the corporate strategic goal of sustainable infrastructure can be met, it is recommended that staff move forward expeditiously with the development of the asset management strategy and provide Council with annual updates on how the service levels, costs and risks associated with the City's ageing facilities and other infrastructure are being managed.

Opportunities to improve the coordination and cost-effectiveness of facility maintenance processes were also identified during this audit.

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 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

OBSERVATIONS AND ACTION PLANS

Facilities Management Strategy

Like many other municipalities, the City of Greater Sudbury has deferred the renewal and replacement of its capital assets and infrastructure to keep property taxes at an affordable level. Benchmarking indicates, however, that our asset management strategy and plans are not nearly as far advanced as those of our municipal peers in Chatham-Kent, Guelph, Windsor, Barrie and Thunder Bay.

The Asset Management Plan (AMP) prepared in November 2016 pointed out that the City has ageing infrastructure with estimated replacement costs of $7.2 billion including $3.1 billion which is operating beyond or near the end of its useful life. According to KPMG, approximately 43% of the City's facilities are now either at or near the end of their useful lives and will require an investment of approximately $325 million to replace within the next 10 years unless the City rationalizes its facilities and service levels or takes significant steps to extend their useful lives.

The report entitled “Asset Management Strategy” that was presented to Council in October 2017 identifies the City’s legislated requirement to prepare an asset management plan and sets out the steps that will be taken to prepare an asset management strategy. A draft enterprise asset management policy was also recently developed to address the risk of failure of the City’s ageing infrastructure assets. Once staff obtain condition assessments for all City facilities, they can finalize the asset management strategy. Until the strategy is complete, however, the service level, cost and risk implications associated with the City’s ageing facilities and other infrastructure will remain unclear.

Recommendations

To ensure the corporate strategic goal of sustainable infrastructure can be met, it is recommended that staff move forward expeditiously with the development of the asset management strategy and provide Council with annual updates on how the service levels, costs and risks associated with the City’s ageing facilities and other infrastructure are being managed.

Management’s Response: Agreed

- *Staff has advised Council that the City is moving forward with the production of comprehensive asset management plans that will have defined service levels, asset condition data and risk considerations.*

- *Staff has outlined the new legislative requirements and deadlines for asset management in a report to the Finance Committee on April 17, 2018. Included in this report is the City’s completed Asset Management Policy. The deadline for completion of this policy is July 1, 2019. The City is well ahead of schedule.*

- *Staff will continue to work towards meeting and/or exceeding the legislated deadlines while ensuring Council is kept apprised of the status of this work and any implications resulting from it.*

Decentralized Facility Maintenance

While recent steps have been taken to improve the coordination of maintenance services within the Assets & Fleet Services Section of the Corporate Services Division, many of the responsibilities for maintaining the City's facilities continues to be dispersed between various operational departments. This service delivery model which includes both centralized and decentralized functions presents the following risks:

- Lack of integration increases the risk of completing work that extends the life of individual building components past the residual life of the buildings/structures;
- Lack of expertise in managing facility maintenance requests initiated by operating departmental managers with authority over operating budgets; and
- Missed opportunities to build internal capacity and to achieve economies of scale for maintenance work that may currently be outsourced.

Recommendations

Consider establishing a matrix reporting relationship between operational department heads and the Director of Assets & Fleet to ensure that effective communication and coordination occurs for asset maintenance and management initiatives.

Management's Response: Agreed

- *Management has adopted an approach which will, over time, centralize the management of facilities in Corporate Services. Staff favour and have created a structure which has a single point of accountability for delivery of each city service, including those services such as facilities and fleet management with a business partnership approach within the operational departments. The risks you have identified will be minimized over time with an evolution to centralized facilities management which respects the continuity of services and operational realities.*

- *The Facilities Management section implemented a formal work management system in 2016, which has enabled the section to exploit scheduled preventative maintenance on facility assets thereby reducing reactive and often more costly repairs. The use of this work management system could be expanded to include other facilities across City of Greater Sudbury (C.G.S).*

- *In the past, Leisure Services staff has maintained libraries and museums in the City. In December of 2017, the Facilities Management section accepted responsibility for the maintenance of 3 libraries and 2 museums. This revision has allowed staff to further expand the use of internal skilled labour and expertise to prevent costly repairs and minimize downtime of facility assets. This expertise will also allow the City to benefit from lower costs over the long term as proper maintenance treatments are provided for in a timely manner.*

- *The Capital projects section currently assists Citizen and Leisure services in designing and delivering the facility portion of their capital program. The Capital projects section can add value and efficiency to other departmental facilities via the knowledge of buildings systems, and ensuring high quality work through a consistent approach.*

- *The Asset Management Coordinator that was authorized by Council for the 2017 budget will be assisting all departments in designing, developing and delivering on formal asset management plans that will assist in ensuring capital dollars are allocated to the highest priority projects identified in the capital budgeting process.*

Contract Expenditures for Facilities Maintenance

The Facilities Management section employs skilled tradespersons in electrical, plumbing and HVAC (heating, ventilation and air conditioning). These tradespersons have been utilized amongst the most sophisticated equipment that C.G.S. owns and operates. The attention to and familiarity with these systems has led to a reduction in overall cost of ownership and reduced downtime.

Notwithstanding the above achievements, our analysis indicated that the City spent almost $1.4 million in 2017 compared to $522K in 2016 on contractors that provide specialized facilities maintenance services including electrical, plumbing, millwright and HVAC services. With such a large increase in the annual volume of work being contracted out and so many facilities that will be approaching the end of their useful service lives in the next ten years, opportunities may exist to perform additional work in-house using skilled trades people.

Recommendation

Prepare a business case to examine the opportunity to create additional specialized facilities maintenance positions to reduce the City's reliance on contractors.

Management's Response: Agreed

- *The Assets and Fleet section will work with operating departments to convert contract services budgets and expenditures to internal skilled labour where possible. Business cases will be produced where and when it would be advantageous to the City.*

Request for Decision

Governance Audit of the Greater Sudbury Housing Corporation

Presented To:	Audit Committee
Presented:	Tuesday, May 15, 2018
Report Date	Tuesday, May 01, 2018
Type:	Managers' Reports

Resolution

THAT the City of Greater Sudbury endorses the recommendations as outlined in the report entitled "Governance Audit of the Greater Sudbury Housing Corporation", from the Auditor General, presented at the Audit Committee meeting on May 15, 2018.

Signed By

Auditor General
Ron Foster
Auditor General
Digitally Signed May 1, 18

Relationship to the Strategic Plan / Health Impact Assessment

The governance audit of Greater Sudbury Housing Corporation supports the strategic pillar of providing a 'Responsive, Fiscally Prudent, Open Governance'.

Report Summary

This governance audit assessed the effectiveness of the design of oversight structures and processes relating to the Greater Sudbury Housing Corporation.

Financial Implications

This report has no financial implications.

Governance Audit of the Greater Sudbury Housing Corporation

May 1, 2018
FINAL REPORT

Greater Grand Sudbury
www.greatersudbury.ca
AUDITOR GENERAL

1. ORGANIZATIONAL BACKGROUND

The Greater Sudbury Housing Corporation (GSHC) was created in December 2000 as part of the Government of Ontario local services restructuring initiative. The GSHC is incorporated under the *Ontario Business Corporations Act* (*OBCA*) with the City of Greater Sudbury ("City") as the sole shareholder. The City is both the Shareholder for the GSHC and the legislatively designated Municipal Service Manager ("Service Manager") responsible for the funding and administration of affordable housing within the jurisdiction.

The GSHC operates at arm's-length from the City and is governed by its Board of Directors, which consists of two City Councillors and five community representatives. The GSHC operates under the authority of the *OBCA*, the *Ontario Housing Services Act* (HSA, 2011), the Shareholder Declaration and other rules determined by the City which is both the shareholder and Service Manager.

The mission of the GSHC is "to provide safe, clean and affordable housing that is managed in a fiscally responsible manner". The vision of the GSHC is "to be a leader and valued community partner in building safe, healthy, sustainable and inclusive neighbourhoods where residents are engaged, empowered and have a sense of community pride."

The GSHC provides rent-geared-to-income ("RGI") housing for a variety of household types, including, singles, seniors and families. The GSHC is the largest municipally controlled landlord in the City with 1,848 units that represent 39% of the purpose built social housing stock in the City. In addition, the GSHC has entered into an agreement to administer rent supplement agreements in 553 units owned by private landlords.

In fiscal year 2016, the GSHC generated $18.6 million in revenue, including $11 million in subsidy and rent supplement fees from the City of Greater Sudbury, and $18.4 million in expenses resulting in an operating surplus of $169k.

2. GOVERNANCE AUDIT: APPROACH & EXECUTION

The 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. Based on the *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 GSHC, including examining:

- Structure and mandate of each organization
- Definition of roles and responsibilities of each organization and its senior leadership team
- Oversight exercised by each organization over its respective areas of responsibility, and
- Oversight exercised by other government bodies over each organization.

2.2 Scope

The scope of the audit included activities from January 1, 2015 to December 31, 2017.

2.3 Objectives & Assessment Criteria

The key objective of the 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. The table below sets out the audit objectives and related assessment criteria. More detailed criteria were developed and used to conduct the audit.

Audit Area	Audit Area Objectives	Audit Area 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 and Responsibilities	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 properly organizational performance
City Oversight	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 a number of key activities:

- **Documentary Review:** Relevant documentation was collected and reviewed in relation to objectives and assessment criteria
- **Interviews:** Interviews were conducted with selected members of the GSHC Board of Directors and managers within the City
- **Survey:** A survey questionnaire was provided to several members of the Board of Directors, and
- **Informal Benchmarking:** Limited, informal benchmarking analysis was completed based on available documentation and stakeholder input.

2.5 Audit Standards

We conducted the 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 prepare audit documentation related to the planning, conducting, and reporting for each audit. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the 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 relate to the design of the oversight structures and processes in place with respect to the GSHC. However, observations related to the operation of these structures and processes are noted 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 and roles and responsibilities of the Board are documented in a variety of sources, including the *Housing Services Act*, the Shareholder Declaration and Operating Framework, the GSHC By-Law No.1 (Corporate Organizational By-Law), and the Articles of Incorporation.

b) Formal mandates have been established for each of the Board Committees which document the roles and responsibilities of these Committees.

c) The roles and responsibilities of the Board Chair have been documented in a position description that is approved by the Board.

d) The behavioural expectations and obligations of Directors are specifically documented in the "Privacy & Confidentiality Policy" and the "Board of Directors Code of Conduct" and are also addressed in the *Housing Services Act*.

e) New Directors are provided with orientation sessions to acquaint them with the strategy and operations of the GSHC and key organizational risks and initiatives. Orientation materials do not address specifically potential conflicts for Councillors on the Board between their obligations to the GSHC and their role as Council members. After initial orientation, ongoing training and resources are available to Board members from sector organizations such as Ontario Non-Profit Housing Association (ONPHA) and Housing Services Corporation. Some Board members have attended the annual ONPHA conference. Education and training is provided on an ongoing basis on a wide range of GSHC business matters and operations during board meetings as the need arises.

f) The Shareholder is responsible for naming directors to the Board and the qualification criteria is documented in the Shareholder Declaration at section 4.2 "Qualifications of Directors". Citizens are nominated for appointment to the Board by a recommendation of the GSHC Nominations Committee for Council approval in accordance with the Shareholder Declaration. The Nominations Committee is comprised of the two appointed Councillors, the City's Manager of Housing Services, and the CEO of the GSHC. There is a formal application, screening and interview process conducted by the Nominations Committee. Resolutions from this committee recommending citizen appointments are then forwarded to the Shareholder for approval.

g) The Board is responsible for reviewing and approving the Annual Report and the Five-Year Strategic Plan both of which are publicly available via the GSHC website.

h) The high-level strategic and operational objectives of the organization are documented in the Shareholder Declaration and Operating Framework.

3.2 Oversight Roles & Responsibilities

The oversight roles and responsibilities of the GSHC Board of Directors are defined and documented and the Board has documented mandate to execute specific oversight responsibilities. For example:

a) The Board is responsible for hiring the General Manager ("CEO") and for approving other staffing recommendations provided by the CEO. The CEO is subject to an annual performance review by the Board based on documented performance criteria. The Board is also responsible for executive level succession planning and is developing a formal, detailed succession plan, which includes a review of management compensation which was completed during 2017.

b) GSHC management provides the Board with detailed strategic and operational plans that include specific tasks and performance measures for the five strategic priorities identified in the Strategic Plan 2015-2019.

c) Board reviews and approves Business Cases for all significant operational initiatives.

d) GSHC completed a detailed Environmental Scan to support the development of its most recent Strategic Plan. This Scan included an assessment of the most significant risks faced by the GSHC and how these may impact the strategic priorities identified in the Plan.

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 the organization has achieved its established objectives. For example:

a) The Strategic Plan was developed with the input of the previous Board, including assessing the consistency of the Plan with the GSHC mandate and organizational authorities. Senior staff report to the Board monthly by way of a written report and any specific Action Items requiring Board approval. Key strategic plan goals, objectives, key activities and milestones are currently reported within this context.

b) The Board's review and approval of annual budgets and operational initiatives includes an assessment of the consistency of these budgets and initiatives with the Strategic Plan.

c) The Board receives and reviews a monthly reporting package from GSHC management that includes information related to financing, capital planning and projects, housing portfolio maintenance and the provision of tenant services.

d) The reporting package provides robust information related to activities and financial measures. However, no formal, comprehensive Performance Management Framework – including specific Key Performance Indicators (KPI) – is in place.

3.4 City Oversight

The City has established a generally effective framework for the oversight of the GSHC. For example:

a) The Shareholder Declaration and Operating Framework set out the respective roles of the City (as both Shareholder and Service Manager) and the GHSC. The Shareholder Declaration has not been substantively updated since it was published in 2000. The Manager of Housing Services completed an initial review of the Declaration and advised the GSHC of the review but to date no formal revisions have been completed and approved. Stakeholders from both GHSC and the City have indicated that updates to the Declaration would be beneficial.

b) Pursuant to Ministerial Directive under section 19(1) of the Housing Services Act, 2011, the City as Service Manager was delegated the authority in 2017 to consent to the proposed divesture and modification of the social housing portfolio, subject to the completion of a comprehensive notification process. The Ministry of Housing is encouraging housing providers and Service Managers to strategically assess their social housing portfolios to ensure this legacy supply of housing meets current and future community needs. Through these assessments, it may be evident that some elements of a provider's social housing portfolio are no longer meeting community housing needs and/or are financially unsustainable and/or are physically obsolete. These discussions will form part of the social housing revitalization plan which will include significant input from the GSHC and other social housing providers.

c) The City as Shareholder is responsible for control of the corporate governance structure of the organization and has various responsibilities related to program funding and administration as outlined in the *Housing Services Act*.

d) The City as Service Manager is accountable to the Province. As Service Manager, the City is to perform the duties assigned to it under *The Social Housing Reform Act* and subsequent regulations i.e. program funding and administration. This Act also envisioned that the City would further refine and define this operating agreement to suit local circumstances.

e) The City, as either Shareholder or Service Manager, also has significant approval authority with respect to the GSHC as it pertains to topics such as financial management (including subsidy approvals), real estate portfolio management, Board appointments and creating or amending corporate by-laws.

f) The Operating Framework provides City with full and free access to GSHC premises and records for the purpose of audit review.

g) The City provides orientation information to new and returning Councillors including an introduction to the agencies, boards and corporations overseen by the City and the role of Councillors who participate on these Boards. The orientation provided does not include detailed information on the role of the GSHC and the role of the City with respect to the organization.

h) The City's Manager of Housing Services is responsible for liaising with GSHC management and Board and for encouraging alignment of GSHC activities with City housing policy strategies and initiatives. In addition, quarterly meetings – chaired by the General Manager of Community Development – are held amongst Housing Services staff and GSHC senior management.

4. FINDINGS

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. However, where operational observations were noted they have been identified above.

Based on the results of the audit, the oversight structures and processes in place with respect to the GSHC generally appear to be effectively designed but the following findings are noted:

1) The Shareholder Declaration & Operating Framework is dated and requires formal review and updating.

2) The City's orientation process for new and returning City Councillors does not provide sufficient content with regard to the role of the GSHC or sufficient context with respect to the role and obligations of Councillors participating on the GSHC Board.

3) The GSHC's orientation process for new Board members does not provide sufficient context with respect to the duties and obligations of Councillors as Board members, in particular, the potential conflict between the interests of a Councillor as a representative of the City and as a member of the GSHC Board.

4) Neither the City's oversight process nor the performance monitoring practice include a review of the GSHC's strategic plan and related initiatives to ensure they align with the GSHC's obligations and authorities as set out in the Operating Framework. The monthly reporting package to the GSHC Board provides significant information but a formal, comprehensive Performance Management Framework – including specific Key Performance Indicators (KPI) – is not in place.

5. RECOMMENDATIONS

The following Recommendations are provided based on the Findings noted above:

1) The City should review and update the Shareholder Declaration & Operating Framework to ensure there is a shared understanding of the respective roles, responsibilities and authorities of the GSHC

and the City. The position of General Manager, Economic Development and Planning Services should be revised to General Manager, Community Development.

Management Response:

CGS will look at best practices in the industry and make recommendations to the Community Services Committee on any proposed changes.

2) The City's Orientation processes for Councillors should be updated to increase the content related to the GSHC and to focus on the general role and obligations of Councillors when acting as Board members of the GSHC.

Management Response:

At a Corporate Strategic Planning session held in January 2018, discussion took place regarding the content of Councillor Orientation and areas for improvement. External Boards will be given additional consideration with respect to orientation.

3) The GSHC's Board Orientation process should be updated to focus on the general role and obligations of Councillors when acting as Board members of the GSHC.

Management Response:

The GSHC accepts the findings and will work with City staff to implement the recommendations.

4) The performance monitoring practices of the Board should include a review of the GSHC's strategic plan and related initiatives to ensure they align with the GSHC's obligations and authorities as set out in the Service Agreement. To improve their alignment the GSHC should consider developing a formal Performance Management Framework that incorporates Key Performance Indicators and use it when reporting to the Board.

Management Response:

The GSHC accepts the findings and will work with City staff to implement the recommendations.

The oversight process of the City should be updated to include a review of the GSHC's strategic plan and related initiatives to ensure they align with the GSHC's obligations and authorities as set out in the Service Agreement.

Management Response:

The City will review the alignment of the GSHC Strategic Plan as it relates to the CGS Strategic Plan and the Provincial Service Agreement.

5) As the governance audit of the GSHC was performed to evaluate the effectiveness of the design of oversight structures and processes, and was not intended to assess whether the oversight

processes are operating as designed, an operational review is recommended to be undertaken. This review would allow the City's Manager of Housing Services, in consultation with the General Manager of Community Development, to evaluate the effectiveness of the current oversight structure and processes and to recommend changes to better align the strategic objectives, initiatives and budgets of the GSHC with the City's objectives and plans.

Management Response:

The GSHC accepts the findings and will work with City staff to implement the recommendations.

The CGS has begun the procurement process of hiring a third party to complete an operational review of Greater Sudbury Housing Corporation. The operational review will assess the oversight processes, and evaluate the effectiveness of the current organizational structure and reporting relationship.

City of Greater Sudbury Charter

WHEREAS Municipalities are governed by the Ontario Municipal Act, 2001;

AND WHEREAS the City of Greater Sudbury has established Vision, Mission and Values that give direction to staff and City Councillors;

AND WHEREAS City Council and its associated boards are guided by a Code of Ethics, as outlined in Appendix B of the City of Greater Sudbury's Procedure Bylaw, most recently updated in 2011;

AND WHEREAS the City of Greater Sudbury official motto is "Come, Let Us Build Together," and was chosen to celebrate our city's diversity and inspire collective effort and inclusion;

THEREFORE BE IT RESOLVED THAT Council for the City of Greater Sudbury approves, adopts and signs the following City of Greater Sudbury Charter to complement these guiding principles:

As Members of Council, we hereby acknowledge the privilege to be elected to the City of Greater Sudbury Council for the 2014-2018 term of office. During this time, we pledge to always represent the citizens and to work together always in the interest of the City of Greater Sudbury.

Accordingly, we commit to:

- Perform our roles, as defined in the Ontario Municipal Act (2001), the City's bylaws and City policies;
- Act with transparency, openness, accountability and dedication to our citizens, consistent with the City's Vision, Mission and Values and the City official motto;
- Follow the Code of Ethical Conduct for Members of Council, and all City policies that apply to Members of Council;
- Act today in the interest of tomorrow, by being responsible stewards of the City, including its finances, assets, services, public places, and the natural environment;
- Manage the resources in our trust efficiently, prudently, responsibly and to the best of our ability;
- Build a climate of trust, openness and transparency that sets a standard for all the City's goals and objectives;
- Always act with respect for all Council and for all persons who come before us;
- Ensure citizen engagement is encouraged and promoted;
- Advocate for economic development, encouraging innovation, productivity and job creation;
- Inspire cultural growth by promoting sports, film, the arts, music, theatre and architectural excellence;
- Respect our historical and natural heritage by protecting and preserving important buildings, landmarks, landscapes, lakes and water bodies;
- Promote unity through diversity as a characteristic of Greater Sudbury citizenship;
- Become civic and regional leaders by encouraging the sharing of ideas, knowledge and experience;
- Work towards achieving the best possible quality of life and standard of living for all Greater Sudbury residents;

Charte
de la Ville du Grand Sudbury

ATTENDU QUE les municipalités sont régies par la Loi de 2001 sur les municipalités (Ontario);

ATTENDU QUE la Ville du Grand Sudbury a élaboré une vision, une mission et des valeurs qui guident le personnel et les conseillers municipaux;

ATTENDU QUE le Conseil municipal et ses conseils sont guidés par un code d'éthique, comme l'indique l'annexe B du Règlement de procédure de la Ville du Grand Sudbury dont la dernière version date de 2011;

ATTENDU QUE la devise officielle de la Ville du Grand Sudbury, « Ensemble, bâtissons notre avenir », a été choisie afin de célébrer la diversité de notre municipalité ainsi que d'inspirer un effort collectif et l'inclusion;

QU'IL SOIT RÉSOLU QUE le Conseil de la Ville du Grand Sudbury approuve et adopte la charte suivante de la Ville du Grand Sudbury, qui sert de complément à ces principes directeurs, et qu'il y appose sa signature:

À titre de membres du Conseil, nous reconnaissons par la présente le privilège d'être élus au Conseil du Grand Sudbury pour le mandat de 2014-2018. Durant cette période, nous promettons de toujours représenter les citoyens et de travailler ensemble, sans cesse dans l'intérêt de la Ville du Grand Sudbury.

Par conséquent, nous nous engageons à :

- assumer nos rôles tels qu'ils sont définis dans la Loi de 2001 sur les municipalités, les règlements et les politiques de la Ville;
- faire preuve de transparence, d'ouverture, de responsabilité et de dévouement envers les citoyens, conformément à la vision, à la mission et aux valeurs ainsi qu'à la devise officielle de la municipalité;
- suivre le Code d'éthique des membres du Conseil et toutes les politiques de la municipalité qui s'appliquent à eux;
- agir aujourd'hui pour demain en étant des intendants responsables de la municipalité, y compris de ses finances, biens, services, endroits publics et du milieu naturel;
- gérer les ressources qui nous sont confiées de façon efficiente, prudente, responsable et de notre mieux;
- créer un climat de confiance, d'ouverture et de transparence qui établit une norme pour tous les objectifs de la municipalité;
- agir sans cesse en respectant tous les membres du Conseil et les gens se présentant devant eux;
- veiller à ce qu'on encourage et favorise l'engagement des citoyens;
- plaider pour le développement économique, à encourager l'innovation, la productivité et la création d'emplois;
- être une source d'inspiration pour la croissance culturelle en faisant la promotion de l'excellence dans les domaines du sport, du cinéma, des arts, de la musique, du théâtre et de l'architecture;
- respecter notre patrimoine historique et naturel en protégeant et en préservant les édifices, les lieux d'intérêt, les paysages, les lacs et les plans d'eau d'importance;
- favoriser l'unité par la diversité en tant que caractéristique de la citoyenneté au Grand Sudbury;
- devenir des chefs de file municipaux et régionaux en favorisant les échanges d'idées, de connaissances et concernant l'expérience;
- viser l'atteinte de la meilleure qualité et du meilleur niveau de vie possible pour tous les résidents du Grand Sudbury.