

Status Report on Action Plans to Address Previous Audit Recommendations		
	Presented To:	Audit Committee
	Presented :	Tuesday, July 10, 2019
	Report Date:	Friday, June 14, 2019
	Type:	Report

Background

The Auditor General's Office maintains an ongoing follow up process which consolidates management's self-assessments of the status of their action plans to address audit recommendations. Annual reports are provided to Council with the aim of documenting the actions taken to date and anticipated dates for completion.

The self-assessment reports are not evaluations provided by the Auditor General's Office and provide no assurance to Council. Instead, the self- assessments provided in the "Actions taken, results and/or actions planned" section are in management's own words and are unedited. The Auditor General's Office reserves its authority to conduct progress audits to independently validate the progress made in addressing audit recommendations.

Self-Assessment Follow-Up Report Compiled by Auditor General's Office

The appendices attached to this report contain detailed self-assessment reports for the following audit reports with pending follow-up actionable items:

- Long Term Financial Planning
- Performance Audit of Risk Management Processes
- Value-For-Money Audit – Paramedic Services
- Value-For Money Audit – Fire Services
- Performance Audit of Capital Budgeting Process
- Performance Audit of Facilities Management
- Governance Audit of Greater Sudbury Housing Corporation (GSHC)
- Governance Audit of Greater Sudbury Community Development Corporation (GSCDC)
- Governance Audit of Greater Sudbury Police Services Board (GSPS)
- Performance Audit of Purchasing Services
- Governance Audit of Greater Sudbury Utilities (GSU) and Greater Sudbury Hydro (GSH)
- Governance Audit of Pioneer Manor

SUMMARY OF STATUS OF MANAGEMENT'S ACTION PLANS AT MAY 31, 2019

Audit Report	Year Audit Report Issued	Total # Of Action Plans	Fully or Substantially Implemented Including Alternative Action	Action Plan Partially Implemented	No Substantial Action Taken
Long Term Financial Planning	2016	4	1	3	0
Performance Audit of Risk Management Processes	2017	4	1	3	0
Value For Money Audit – Paramedic Services	2017	1	0	1	0
Value For Money Audit – Fire Services	2017	3	1	2	0
Performance Audit of the Capital Budgeting Process	2017	2	1	1	0
Performance Audit of Facilities Management	2018	3	0	3	0
Governance Audit of GSHC	2018	6	6	0	0
Governance Audit of GSCDC	2018	9	1	7	1
Governance Audit of GSPS	2018	4	2	2	0
Performance Audit of Purchasing Services	2018	4	4	0	0
Governance Audit of GSU and GSH	2018	9	2	7	0
Governance Audit of Pioneer Manor	2018	4	2	2	0
Total		53	21	31	1
Percentage		100%	40%	58%	2%

Conclusion

This report indicates that 40 percent of the above audit action plans have been fully completed whereas 58 percent have been partially implemented. No substantial action had been taken to address 2 percent of the findings. Another status report will be provided to Audit Committee a year from now.

AUDIT Follow Up Report

To : Audit Committee

From : Ron Foster, Auditor General

Re: Audit of Long Term Financial Planning

Audit Report released	September 2016
Original # of Observations	5
# of Action Plans Previously Complete	1
# of Action Plans Now Closed	1
# of Action Plans on Next Follow Up	3
Status as of May 31, 2019	On Track

Observation and Summary of Progress (Based on Self-Assessment conducted by Corporate Services)	Self-assessed Status
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Observation 2

The City should ensure its boards and wholly-owned corporations have established appropriate LTFPs if they are dependent on the City for financial support of any type.

Partially Implemented

Original Management Response

Management will work throughout 2017 and 2018 to develop goals and specific action plans to support the achievement of the principles and policies within the revised LTFP once it has been presented to City Council.

Actions Taken, Results and /or Actions Planned - As of May 31, 2017

The City will request that the Outside Boards and GSHC consider developing Long Term Plans. This does not extend to the GSU or SACDC as these entities do not receive financial support from the City.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

The City recently received the updated Long Term Financial Plan from KPMG that identified the status and forecast of the 12 financial indicators. Staff will be reaching out to our business partners (Conservation Sudbury, Public Health Sudbury & District and Police Services) to encourage them to develop long term plans for their operations.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Staff worked with Conservation Sudbury on their financial plan in December 2018 as part of the 2019 annual budget process. Staff continues to work with the Police Services on their financial needs

related to building needs but will encourage them to develop a longer term plan for their operation. Public Health Sudbury and District does not have co-terminus boundaries with the City; as such the City is only one funding partner and they would receive input from all partners. Public Health Sudbury and District's future operating model and the impact on the City is currently unknown. Once this becomes clearer we will reach out to their management team.

Observation 3

Specific, measurable, action-oriented and realistic goals should be developed to support achievement of the principles and policies within the new LTFP currently under development and incorporated into annual budgets.

Complete

Original Management Response

Management will work throughout 2017 and 2018 to develop goals and specific action plans to support the achievement of the principles and policies within the revised LTFP once it has been presented to City Council.

Actions Taken, Results and /or Actions Planned - As of May 31, 2017

Staff will identify goals, priorities and issues in the 2018 Budget. In addition, staff will recommend changes to policies as identified in the LTFP.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

Based on the updated LTFP, the General Manager of Corporate Services presented to the Finance and Administration Committee the status of the 12 financial indicators in comparison to the City's peer municipalities. Staff will identify priorities and issues for the Finance and Administration Committee's consideration in the 2019 Budget based on the updated LTFP.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

A review on the status of the LTFP was included in the Budget Overview section in the 2019 Budget Document on page 25. The section included comments on the actions that Staff have taken in regards to the financial strategies endorsed in the LTFP. The 2019 Budget Document on page 278 in the Capital Budget Section included an update on the actions taken to date related to capital to fulfill the strategies of the LTFP. In addition the impact of, or the impact to, the LTFP was noted throughout the Budget Document.

Observation 4

Progress toward the principles and policies within the new LTFP should be reported to Council each year within the annual budgeting process.

**Partially
Implemented**

Original Management Response

Management will work throughout 2017 and 2018 to develop goals and specific action plans to support the achievement of the principles and policies within the revised LTFP once it has been presented to City Council.

Actions Taken, Results and /or Actions Planned - As of May 31, 2017

Progress in achievement of the principles and policies identified in the LTFP will be reflected in the 2018 Budget document under the Financial Section of the Overview tab.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

Staff are currently updating the Purchasing By-law to incorporate new thresholds as recommended by KPMG. It is also being updated to include provisions under the trade agreements (CETA & CFTA) and electronic tendering provisions. Improvements have been made in capital budget reporting, which will be formalized in the updated Capital Budget Policy.

Staff will also be reviewing other financial policies to ensure alignment with the principles identified in the LTFP.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

A review on the status of the LTFP was included in the Budget Overview section in the 2019 Budget Document on page 25. The section included comments on the actions that Staff have taken in regards to the financial strategies endorsed in the LTFP. The 2019 Budget Document on page 278 in the Capital Budget Section included an update on the actions taken to date related to capital to fulfill the strategies of the LTFP. In addition the impact of, or the impact to, the LTFP was noted throughout the Budget Document.

Observation 5

Staff should provide Council with current information on the City's financial condition each year with the annual budget and any presentations on major capital project proposals.

**Partially
Implemented**

Original Management Response

Previous annual budgets included a section on "Toward Fiscal Sustainability" which was based on the LTFP to illustrate the challenges facing the City along with the key principles and action items.

The annual budget document, as well as the City's annual financial report in conjunction with the City's audited financial statements, has included key financial information such as reserves and reserve funds, total debt, and key performance indicators. Also, the annual capital budget includes an unfunded list that illustrates the significant unfunded capital needs by service area.

Management has implemented several financial policies, processes and by-laws approved by various City Councils to manage the City's financial condition now and for the long-term. This includes the

Operating Budget Policy, Capital Budget Policy, Debt Management Policy and the Reserves and Reserve Fund By-Law.

Management agrees with the limited progress made with the infrastructure deficit. Since 2002, management presented various City Councils with an option for a capital levy in accordance with the Observations of the LTFP to assist with the growing infrastructure deficit. Previous City Councils approved a capital levy in the following years: 2005 of \$3.2M; 2006 of \$3.3M; 2007 of \$0.8M; 2008 of \$3.7M. This was partially offset by a permanent reduction to the capital envelopes of \$5M in the 2010 Capital Budget.

Actions Taken, Results and /or Actions Planned - As of May 31, 2017

Financial indicators will be included in the 2018 Budget as deemed appropriate.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

Financial indicators will be included in all future budget documents and annual updates of the LTFP.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Financial indicators on financial condition, including commentary were included in the 2019 starting on page 40. These indicators were also included in the update to Council on the LTFP in June 2018 and will be included in the Q3 2019 update.

Re: Performance Audit of Risk Management Processes

Audit Report released	May 2017
Original # of Observations	4
# of Action Plans Previously Complete	0
# of Action Plans Now Closed	1
# of Action Plans on Next Follow Up	3
Status as of May 31, 2019	Some Delays

Observation and Summary of Progress (Based on Self-Assessment conducted by CAO)	Self-assessed Status
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Observation 1

According to the CSA Standards, risk management is the identification, assessment, and treatment of "risks" that may affect an organization, business or municipality, negatively, including those which can occur through accidents, disasters, natural causes, legal or financial liabilities or opportunities, or positively, such as new technologies, business ventures or continual improvement. A risk management policy has not been developed to define risk management terms and responsibilities for risk management within the City. As a result, responsibilities for risk management are not clear.

Complete

A formal risk management policy should be developed to codify risk management terms and to clarify responsibilities for risk management.

Original Management Response

We agree. The recommended policy will be developed and presented to Council by the Chief Administrative Officer for approval before the end of the third quarter.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

This action is still on track for presentation to Council by the end of the third quarter. A policy has been created by the CAO and is in draft form and being scheduled for a review and decision by ELT at a June ELT meeting.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

An Enterprise Risk Management policy was approved by Council in September 2018. Processes to support the policy's application have been introduced and informed a discussion about key risks included in the 2019 Budget. Work continues to further develop these processes and build staff's and Council's capacity for maximizing the value of the guidance provided by this policy.

Observation 2

A risk management process has not been developed to identify a standard approach for risk identification assessment, mitigation and reporting. As a result, responsibilities for risk management are not clear and different approaches to risk management have been adopted within the City.

Partially
implemented

A formal risk management process should be developed to standardize enterprise risk management (ERM) processes in the City. The ERM process encompasses risk identification, assessment, mitigation and reporting processes to ensure that significant risks are managed effectively.

Original Management Response

We agree. Management's view is the capacity to understand risk begins with a clear understanding about the services, work processes and projects staff are responsible for delivering. Starting in 2017, an enterprise-wide process and related technology applications will be introduced to facilitate the creation of a "common language" describing the corporation's programs and services. In parallel, Greater Sudbury's participation in the Municipal Benchmarking Network Canada will provide important contextual data to help identify both the factors that influence performance and, where Greater Sudbury may be an "outlier", prompt consideration of whether some change may be needed. These will inform the Executive Leadership Team's judgment in discussions designed to identify and assess risks, which are anticipated to occur as part of the annual business planning process.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

A formal ERM process is well developed at this point and meetings with Executive Leadership Team and Directors have taken place to introduce the concept, tools and scope. The framework and tool are aligned with measurements of risk in our new Asset Management Policy and related Capital Budget prioritization tool. The AG has attended Executive Leadership Team, presented the approach and delivered an initial enterprise level risk register for review by ELT based on feedback from ELT and Directors.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

An Enterprise Risk Management policy was approved by Council in September 2018. Processes to support the policy's application have been introduced and informed a discussion about key risks included in the 2019 Budget. Work continues to further develop these processes and build staff's and Council's capacity for maximizing the value of the guidance provided by this policy.

Observation 3

Other than legal risks, Council does not receive an annual report on the major risks faced by the City, how they are currently being managed and what steps, if any, are recommended to further mitigate them.

Partially
implemented

To complement the periodic reports to Council on significant legal matters, an annual report on non-legal risks should be prepared for Council in conjunction with the annual budget and business plans.

Original Management Response

We agree. Discussions about major risks are likely most effective at the start of the annual business planning process. Beginning in 2018, staff will incorporate the recommended report into a meeting about 2019 budget directions.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

A summary was included in the 2019 budget directions and staff continue to work with the AG on reporting relating to the enterprise risk registry. This will be a great asset to assist with upcoming strategic planning with a newly elected Council.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

An Enterprise Risk Management policy was approved by Council in September 2018. Processes to support the policy's application have been introduced and informed a discussion about key risks included in the 2019 Budget. Work continues to further develop these processes and build staff's and Council's capacity for maximizing the value of the guidance provided by this policy.

Observation 4

The City has a moderate level of readiness to implement ERM processes as members of the Executive Leadership Team are already employing various risk management techniques within their daily management activities.

**Partially
implemented**

An implementation plan that is tailored to the readiness of the City to adopt standardized risk management processes and to integrate them with other management processes should be developed.

Original Management Response

We agree. The recommended policy will be developed and presented to Council by the Chief Administrative Officer for approval before the end of the third quarter.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

The work to date is on track to meet or exceed this deadline for a presentation of our approach and initial outcomes for Council.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

An Enterprise Risk Management policy was approved by Council in September 2018. Processes to support the policy's application have been introduced and informed a discussion about key risks included in the 2019 Budget. Work continues to further develop these processes and build staff's and Council's capacity for maximizing the value of the guidance provided by this policy.

Re: Value-For-Money Audit Paramedic Services

Audit Report released	May 2017
Original # of Observations	2
# of Action Plans Previously Complete	1
# of Action Plans Now Closed	0
# of Action Plans on Next Follow Up	1
Status as of May 31, 2019	On Track

Observation and Summary of Progress (Based on Self-Assessment conducted by Emergency Services)	Self-assessed Status
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Observation 3

Paramedic Services currently operates from 11 stations, eight of which are cohabitated with Fire services. Condition assessments prepared by CCI in 2013 and 2014 indicate that maintenance programs over the last 20 years have not kept up with the pace of deterioration in the City’s stations which on average are over 40 years old. Some maintenance was also postponed pending the outcome of the optimization project that was recently completed.

**Partially
Implemented**

Coordinate with facilities maintenance and finance staff to develop a multi-year program to catch up on essential station maintenance that has been deferred.

Original Management Response

We concur with the Auditor General’s recommendation.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

Community Safety are coordinating with facilities staff in carryout building condition assessments and air quality assessments to assist in developing a prioritized plan to catch up on building maintenance requirements.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Paramedic Services continues to operate from 11 stations, eight of which are cohabitated with Fire Services. Building Assets has generated an extensive building condition assessment for all Emergency Service stations. The report includes the year the Emergency Services station was built, the repair costs over the past ten years and a building replacement cost for each station. In addition, Community Safety has posted an RFP to obtain a consultant to produce a comprehensive report and plan for Councils consideration in the revitalization of our Emergency Services stations.

In 2018 Paramedic Services addressed the issues identified in the Designated Substance Survey (DSS) provided by Golder Associates in December 2017. The stations identified that required immediate action were Capreol, Chelmsford and Levack.

Capreol

Paint containing lead was peeling in the stairway. The issue has been remediated by scraping off the loose paint and repainting the affected area. A wall in the basement area had cement board attached to it. The cement board contained asbestos and has been removed. A drain pipe in the garage area contained asbestos. A label has been placed onto the pipe identifying asbestos, in case any work has to be conducted on the pipe.

Chelmsford

Paint containing lead was peeling in the garage area. The issue has been remediated by scraping off the loose paint and repainting the affected area.

Levack

Damaged paint, containing lead, was peeling in the kitchen and bathroom areas. The issue has been remediated by scraping off the loose paint and repainting the affected area.

In November 2018, Building Services and Fire and Paramedic Services, jointly completed Indoor Air Quality testing at all Emergency Services stations. The Final report has recently been received and is currently being reviewed.

Re: Value-For-Money Audit Fire Services

Audit Report released	May 2017
Original # of Observations	3
# of Action Plans Previously Complete	0
# of Action Plans Now Closed	1
# of Action Plans on Next Follow Up	2
Status as of May 31, 2019	In Progress

Observation and Summary of Progress (Based on Self-Assessment conducted by Emergency Services)	Self-assessed Status
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Observation 1

The GSFS presently operates with 95 career firefighters that are assigned to the Van Horne, Minnow Lake, Leon Avenue and Long Lake Stations. The Val Therese composite station has 9 career firefighters and 18 volunteers. Nineteen other stations operate across the City with 10 to 20 volunteers each.

Partially complete

The City's By-Law 2014-84 establishes and regulates the GSFS but does not set out service level standards to allow management, Council and the public to assess the performance of the City's firefighting services. Most fire services use the standards of the National Fire Protection Association to measure performance.

Significant risks that associated with the GSFS' firefighting service arise from the number and location of fire stations and number and mix of firefighters presently assigned to each station.

In 2016, the GSFS conducted a review of risks to people and property in response to IBI's comprehensive review of fire services that identified potential gaps in the existing response capacity of the GSFS outside of the City core. The potential gaps relate to the number and location of stations outside the City core and the level and type of staff in each station. Our review of service levels indicated that 45% of the responses to fire calls from the volunteer stations in 2016 took greater than 9 minutes while 24% of the responses took less than 6 minutes. This compares to 16% and 67% in the City core.

Our review of the skill sets of staff identified gaps in the GSFS' capabilities for technical rescue such as auto extrication, ice and water rescue, confined space, trench and hazardous material (HAZMAT). The depth of expertise in technical rescue currently varies from one community to the next and is not commensurate with the community risk profiles. Staff currently only has an awareness level for HAZMAT response which is insufficient for communities with a large industrial economy and major networks of railways and roads.

Our assessment of the participation rates of volunteer staff in training programs and response rates to fire calls identified significant concerns. The response rates per volunteer in training indicated that the average rate of participation was only 37 percent.

In 2013, the City agreed to pilot the 24-7 hour shift for its career firefighters. We noted that the City has not yet evaluated the effectiveness or efficiency of this shift. Our audit identified risks to both staff and the public from the adoption of this shift as well as concerns about its efficiency between 2300 hours and 0700 hours when the volume of fire calls is significantly lower.

Recommendations:

- i. Establish reasonable and attainable service level targets for responding to fire calls, formalize them within the Establishing and Regulating Fire Services By-law, communicate them to the public and report annually to Council on them;
- ii. Prepare a business case for specialized training and equipment to bolster the GSFS' technical rescue capability as well as HAZMAT response capability;
- iii. Establish minimum participation rates of 65% for volunteers for training to improve their effectiveness;
- iv. Develop revised fire call response protocols and provide improved communications tools to facilitate improvements to call response rates for volunteer staff;
- v. Establish minimum call response rates of 50% for volunteers to improve their reliability and effectiveness; and
- vi. Continue to pilot the 24-7 shift and, in conjunction with staff from Human Resources and Organizational Development, assess its costs and benefits relative to other shifts.

Original Management Response

We concur with the Auditor General's (AG's) findings. It should be noted regarding the 24 hour shift recommendation that the fulltime fire firefighters association and fire administration are subject to interest arbitration as per the provisions of the Fire Protection and Prevention Act and as such it would not be prudent to comment on this recommendation.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

- i. The Community Safety Department is continuing to develop for implementation a suite of department business analytics both Fire and Paramedics Services based upon current service levels and regulatory requirements that will provide both situational awareness and performance monitoring capabilities through a set of dashboard metrics and analytic tools. These analytics should be in place by 3rd quarter of 2018. In addition, the Ministry of Community Safety and Correctional Services has adopted Public Reporting regulations that will come into force on January 1, 2020 that mandates specific performance reporting for the fire service. A report on the current enabling by-law and service levels will be developed and presented to the Emergency Services Committee by 3rd quarter 2018. *Any additional resources required to meet regulatory requirements will be identified at that time as well as in the budget for 2019.*
- ii. Any additional training or equipment required to meet regulatory requirements will be identified following the establishment of service level metrics in Q3 of 2018.

- iii. "The City negotiated a minimum training attendance rate of 1 weekly training night per month or 12 per year as part of the 2017-2019 collective agreement with CLAC Local 920 for volunteers. The adequacy of this rate will be reassessed relative to the new regulatory requirements for training that are being phased in commencing July 2019.
- iv. The Fire Service is reviewing fire call response protocols and will make changes in an effort to optimize service levels within current approved budgets. The Fire Service continues to review our communications and paging systems in order to identify opportunities for improvements.
- v. The City negotiated a minimum 25% attendance rate for incidents as part of the 2017-2019 collective agreement with CLAC Local 920. The adequacy of this rate will be reassessed following the establishment of service level metrics in Q3 of 2018.
- vi. The interest arbitration award that the City received last August imbeds the 24 hour shift into the agreement.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

- i. Fire Services will present a report to committee of council on the Establishing and Regulating By-Law in Q3 of 2019. The report will outline current service delivery across the municipality and will provide general costing for enhanced service levels. Utilizing the By-law to recommend inclusion of performance standards and preparing the Fire Service for the reporting requirements of Provincial legislation, which will come into effect in 2020.
- ii. Currently, analytic tools accompany customized data exports which support and drive service delivery. This will measure the formal performance targets which may be set out by the Fire Chief and Council. The reporting of these measures may be made public.
- iii. Council directed funding and support for a HAZMAT response program was approved in the 2019 budget. The delivery of training for responders is in development while resources and supplies to support the program are in the procurement process. HAZMAT operational response is planned for deployment in Q4 of 2019.
- iv. The CLAC collective agreement remains in effect until the end of 2019 with established minimum participation rates of 12 training sessions, approximately one session per month. Discussion of this rate will occur during the bargaining process for a new collective agreement. The current rate does not meet the effectiveness described as being required in this report.
- v. Fire deployment models for response are continually developed, modified, tested, reviewed, and implemented across the Service. Enhancements which allow for proper on-scene resources (manpower or apparatus) are modeled against response data for optimal incident mitigation strategies. Replacement of analog paging with digital systems for volunteers continues across the region. Introduction of real-time data links between communicators and responders is ongoing and systems to engage volunteer responders earlier and request their immediate response status are being tested.
- vi. The CLAC collective agreement remains in effect until the end of 2019 with established minimum incident participation rates of 25%. Discussion of this rate will occur during the bargaining process for a new collective agreement.

- vii. The interest arbitration award that the City received August 2017 imbeds the 24 hour shift into the agreement.

Observation 2

The GSFS has operated 24 stations across the City with few changes for the last 16 years since amalgamation. Condition assessments prepared by CCI in 2013 and 2014 indicate that maintenance programs and budgets have not kept up with the pace of deterioration in the City's stations which on average are over 40 years old. Our analysis indicated that essential station maintenance has been deferred over the last several years due to budget constraints as well as recommendations to rationalize the number of stations from IBI's comprehensive fire services review. Our analysis indicates that budgets for fleet have also not kept pace with the annual cost increases for front line vehicles which include pumps, aerials, bush trucks and other rescue equipment.

Partially
complete

Research on fire master plans and fire location studies indicated that residents and property owners would very likely benefit from a modest relocations of the stations when they reach the end of their useful lives. Research also indicated that the most effective locations for replacement stations can be determined by modeling techniques which examine actual fire call volumes. Modeling techniques also show the potential benefits to response times that can be achieved by placing stations in alternative locations.

Recommendations:

- a) Coordinate with facilities and finance staff to develop a program for essential station maintenance;
- b) Prepare a business case for a fire station location study to effectively plan for the replacement of stations that are approaching the end of their useful service lives; and
- c) Where budgets are insufficient to maintain existing service levels, prepare a business case for the replacement of front-line equipment that has reached or is about to reach the end of its useful service life.

Original Management Response

We concur with the Auditor General's observations.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

- a) The coordination with facilities and finance is currently underway as we await the follow-up on building condition assessments including designated substance assessments and air quality testing that will help determine a longer term plan to replace, renew and repair those stations based on priority needs.
- b) As above
- c) The business case for equipment that was tabled as part of the 2018 budget was not approved by Council. The requirements for equipment will be revisited in conjunction with the development of a long- term capital plan.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

- a) The Community Safety Department, in partnership with Buildings and Assets, and Procurement, has posted an RFP seeking a consultant to assist in developing a comprehensive Community Safety Station Revitalization Plan. High level goals and objectives of this revitalization plan include addressing long term asset sustainability, identifying and developing various options as it relates to renovating, rebuilding, consolidating or building new facilities, assessing the current service model against municipal objectives, health and safety of our staff, trends and growth patterns, and finally, presentation to Council with solutions to bridge the growing capital gap and reduce long- term maintenance costs related to facilities. The RFP has closed and a timeline has been established with a goal of project completion in time for budget considerations.
- b) The above report shall provide status of current building stock and provide options or recommendations to be considered. Council will direct the Community Safety Department in moving this forward once it has been presented and discussed.
- c) Business cases are submitted to the newly developed Capital Prioritization process with several being accepted and moved forward for front line equipment requiring replacement. On order are two tanker apparatus and one ladder apparatus with allocation for one additional pumper apparatus. In addition, there was funding allocated for a new water rescue craft and HAZMAT response resources. Future requests shall follow a model which will replace front line equipment in a methodical manner.

Observation 3

Prevention, Training and Support section provides prevention, training, mechanical, business improvement, and administrative services and had a \$4.5 million budget for 2017. It includes the Chief Mechanical Officer, Chief Prevention Officer, Chief Training Officer, two Training Officers as well as 8 technical and 4 administrative staff.

**Substantially
complete**

Section 2 of the FPPA states that, "every municipality shall, establish a program in the municipality which must include public education with respect to fire safety and certain components of fire prevention. Our analysis also indicates that the number Public Safety Fire Educators is insufficient for a municipality of our size. One additional Fire Education Officer is required to provide sufficient coverage across the broader City.

Our audit analysis also indicated that the current complement of training staff is insufficient to develop and deliver an adequate firefighter training program that responds adequately to significant risks that stem from the City's unique geography and industrial properties. An additional trainer is required to provide technical rescue and Hazmat response training. Another trainer is required to help develop and deliver a more robust training program to the volunteers.

Administrative staff monitor overtime for the GSFS which has averaged \$640K over the last 4 years and is comparable with most of our peer municipalities. Our analysis indicates that overtime costs for career firefighters account for approximately 76% percent of the total overtime for the GSFS. The amount of overtime incurred annually for career firefighters is directly impacted by the timing of retirements and vacation of existing Value for Money Audit of the Operations of the Greater Sudbury Fire Services staff, timing of new staff hires and the size of each platoon of firefighters which is currently specified within the collective bargaining agreement. We also noted that overtime costs were

1.5 times higher than average in 2015 as a result of the hiring freeze during the P6M project. Over the last 4 years, monthly overtime costs averaged \$30K for the first half of the year and \$50K for the second half.

Recommendations:

1. Prepare a business case for an additional Fire Prevention Officer and Public Safety Officer to ensure compliance with the FPPA;
2. Prepare a business case for two additional training officers to ensure all firefighters are trained and able to participate in a meaningful way that best serves the needs and circumstances of the community;
3. Revise the timing of the annual recruitment of career firefighters to Q1 to ensure that new recruits are available to work when the peak vacation period begins in Q3.

Original Management Response

We concur with the AG's findings and, if warranted, will provide business cases for Council's consideration for the 2018 budget.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

1. A business case submitted for additional Fire Prevention Officers was not supported by the Council in 2018. Resource requirements will be reviewed annually to ensure continued compliance with regulations.
2. As above.
3. Career retirements are being reviewed to determine potential over compliment staffing needs. The timing of hiring of new staff will be reviewed as well to ensure we are properly managing our OT costs.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

1. One additional Public Safety Officer was implemented in 2019. Requirements in this Section are reviewed annually to ensure compliance and additional business cases are considered as needed.
2. One additional Training Officer was put in place in Q3 of 2018. Requirements in this Section are reviewed annually to ensure compliance and additional business cases are considered as needed.
3. Recruitment of full time staff was moved to Q1 of 2019 and resulted in 12 hires for the Suppression Section. These firefighters participated in an early spring training program which was completed at the beginning of Q2 and ensured they are in place to mitigate the minimum staffing requirement and vacation allotments which usually require significant overtime.

Re: Performance Audit of Capital Budgeting Process

Audit Report released	October 2017
Original # of Observations	2
# of Action Plans Previously Complete	0
# of Action Plans Now Closed	1
# of Action Plans on Next Follow Up	1
Status as of May 31, 2019	In progress

Observation and Summary of Progress <small>(Based on Self-Assessment conducted by Corporate Services)</small>	Self-assessed Status
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Observation 1

During the annual capital budgeting process, insufficient funding is allocated to the capital envelopes to maintain the City’s tangible capital assets which have an estimated replacement cost of \$7.2 billion. Funding levels for the reserves also do not cover the replacement costs of these assets. As a result, the City will be required to issue debt or employ alternative financing techniques to replace its aging tangible capital assets which have deteriorated significantly over the years. Unless steps are taken to extend their lives, over 40% of these assets will be approaching the end of their useful service lives over the next 10 years.

Partially Implemented

According to KPMG, an estimated infrastructure funding gap of \$3.1 billion will exist by 2026. Approximately \$1.9 billion is required to replace the tangible capital assets that are presently operating beyond their useful lives and an additional \$1.2 billion of investment will be needed by 2026. To address these gaps, KPMG recommended that the City implement a 2% special levy, rationalize its service levels and tangible capital assets and use debt to finance major capital projects.

Our audit indicated that the funding gap has been growing for some time because of insufficient funding of annual capital budgets relative to current levels of service. Despite periodic as well as small annual increases to capital budgets, the City’s tangible capital assets have continued to age and deteriorate to the point that higher taxes and debt are likely required to maintain the City’s current level of services.

Our analysis indicated that raising taxes via a special annual levy is unlikely to raise sufficient funds to meet the \$3.1 billion of infrastructure funds that KPMG projected would be required by 2026. As shown below, less than one tenth of the required funds would be raised by a 2% annual special levy. Given the size of this funding gap, raising taxes and issuing debt or employing alternative financing techniques such as public private partnerships to replace the City’s aging assets will not resolve this growing problem on their own.

Special Levy	10 Years	20 Years	30 Years	40 Years
2%	0.30 billion	1.28 billion	3.17 billion	6.28 billion

Unless the City experiences significant growth in the future or receives significant funding assistance from the upper tiers of government, it will be unable to replace all its tangible capital assets at the end their useful service lives. To ensure financial sustainability, steps must be taken to develop formal asset management programs, rationalize capital assets and service levels, and shift funding from operating to capital budgets. These steps will align the annual capital budgeting process with the long-term financial plan and asset management plan.

Recommendations:

1. Continue to seek additional funding from upper tiers of government to address the City's infrastructure funding requirements;
2. Continue to move forward with plans to develop a financially sustainable asset management program to rationalize the City's tangible capital assets and manage their lifecycle costs more effectively;
3. Identify options to increase the capital budget to help address the \$3.1 billion of infrastructure funding requirements that were identified by KPMG in the City's asset management plan;
4. Initiate a core service and service level review program to rationalize service levels to allow funding to be directed from operating budgets to capital budgets;
5. Examine the potential merits of using alternative financing strategies such as public private partnerships when planning for the replacement of the City's aging tangible capital assets; and
6. Require business cases to be prepared for all new infrastructure projects to demonstrate their need as well as their affordability within the long-term financial plan.

Original Management Response

City management and staff understand the pressures facing the City of Greater Sudbury and its capital infrastructure funding requirements since the first long term financial plan completed in 2002. It is important to note that all municipalities are experiencing the same pressure with its capital infrastructure. For example, the President of the Association of Municipalities of Ontario has been quoted relating to understanding Canada's municipal infrastructure deficit by saying:

“The infrastructure underinvestment problem has emerged over the last two decades. In the early 1990s, the federal government transferred a significant portion of its operating deficit to provinces and territories by drastically cutting funding transfers. In Ontario, in turn, the provincial government downloaded part of its operating deficit to municipalities by downloading costs for programs such as welfare, social housing, ambulance services and 5,000 kilometers of provincial highways and related bridges. The results are clear. Federal and Provincial historical budget deficits have been transformed into a municipal infrastructure deficit. As a result of the massive shift in financial responsibilities, municipalities have had to increase taxes year after year, reduce services in the community, and defer infrastructure rehabilitation to later in its lifecycle.”

Staff has presented options for past and current Councils for a special capital levy during the annual budget process. As stated by the Auditor General, past City Councils have approved a special levy to

improve the capital budget during the years of 2005, 2006, 2007, 2008 and 2012 which have been partially offset by permanent reductions in years 2010 and 2015.

In addition, staff agrees with the recommendations from KPMG within the Asset Management Plan that was presented to City Council in December 2016. The recommendations include the following:

- a) Establishing service levels that consider employment of assets beyond the end of their useful lives
- b) A multi-year program of affordable tax increases (e.g. 2%) that would be restricted to capital (special capital levy)
- c) The increased use of debt for the financing of major capital projects
- d) The realignment of the City's capital envelopes to ensure appropriate balancing
- e) A focus on asset rationalization
- f) Service rationalizations

These recommendations will be reviewed by staff and presented to Council(s) for consideration of any changes to service levels, use of debt financing (such as for the large projects) as well as special capital levy to improve the infrastructure requirements. Also, staff is preparing a revised Capital Budget Policy which will have one capital envelope that will be used to fund capital projects based on ranking of certain criteria/ranking system. This will ensure that the capital funds are allocated to the capital projects with highest priority for the overall City as opposed to by department/division. This new Capital Budget Policy will also include recommendations from the Asset Management Coordinator, which was a new position that City Council approved during the 2017 Budget.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

The first draft of the new Capital Budget Policy will be presented to the Executive Leadership Team (ELT) on June 21, 2018. Based on feedback from ELT, the Policy will be updated and presented to Council in early fall. Consistent with previous years, the consideration of a capital levy was provided in the 2018 Budget.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

The Capital Budget Policy was approved by Council in January 2019 and the methodology in the new Capital Budget Policy was used for preparation of 2019 Capital Budget. Consistent with previous years, the consideration of a capital levy was provided in the 2019 Budget.

Observation 2

The current capital budgeting process employs capital envelopes to allocate funding to program areas and requires individual departments to prioritize their capital projects each year. While some departments, such as roads, employ sophisticated methodologies to prioritize capital projects, important projects are deferred every year as the envelopes are not sufficiently funded and an enterprise-wide approach is not used to prioritize these projects.

Complete

Finance staff has identified the need to change the capital budget policy and is working towards the development of a new capital budget approach that would evaluate projects using common criteria that align with the City's corporate strategic plan and enterprise risk management program. Our review of best practice literature from the Association of Municipalities of Ontario and the Federation of Canadian Municipalities indicates that this change would be prudent as it would support a move to more financially sustainable infrastructure.

Recommendations:

Discontinue the capital envelope system in 2019 and adopt a funding model that is similar to the one shown at Attachment 1 which would allow funding to be directed to capital projects which align with strategic and operational plans, facilitate the delivery of core services, and address significant risks.

Original Management Response

Currently, each department has a different priority setting approach/criteria due to the unique nature of capital assets in their respective area. The existing Capital Budget Policy authorizes an amount to each department and then each department Management decides on the prioritization of required capital projects based on available capital funding.

Staff has identified that a change should be implemented with respect to the capital budget and envelope system. Staff is proceeding with updating the capital budget policy along with establishment of an appropriate criteria and ranking system to prioritize all capital projects with funding from the overall capital envelopes.

Meetings have been held during 2017 with each department (Growth and Infrastructure, Community Development, and Community Safety) that included Executive Leadership Team members, Directors and Managers to discuss and obtain their feedback for these principles along with possible criteria that should be considered to properly evaluate each capital project. As departments have unique nature of capital assets, additional criteria may relate to one section than another (ie. specific legislation).

As a result of staff's progress on changing the policy and capital envelope system, staff requested the Auditor General to provide his opinion of possible ranking criteria for us to consider. Staff prepared a preliminary listing of criteria along with possible system of ranking and this was provided to the Auditor General as part of his review. However, the criteria are a work in progress which has not been approved by the Executive Leadership Team until all concerns are considered for respective capital projects (ie. health and safety, legislation, asset condition/beyond useful life, resident enjoyment, economic development, etc) from meetings with departments. Staff will work with the Auditor General on our process moving forward.

The overall goal is to have a new capital budget policy along with approved criteria with an appropriate ranking system for use in the 2019 Budget. Staff will continue to work and refine criteria to ensure each asset class evaluated properly relative to other asset classes to determine which is in the greatest need of rehabilitation. This will ensure that the City will properly assess and invest in the capital projects with the highest priority and importance for the overall City and its residents.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

Staff have developed and vetted through the Business Leadership Group, a priority ranking tool for capital budgeting in an attempt to ensure that investments are made in capital assets that receive the highest priority rankings.

The priority ranking tool will be used for the 2019 Capital Budget.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

The use of a priority ranking tool was used for the 2019 Capital Budget and with minor modifications will be used for the 2020 Capital Budget. The priority ranking methodology was included in the updated Capital Budget Policy. Use of the departmental envelopes has been discontinued and there has also been a consolidation of a majority of the Capital Financing Reserve Funds.

Re: Performance Audit of Facilities Management

Audit Report released	May 2018
Original # of Observations	3
# of Action Plans Previously Complete	0
# of Action Plans Now Closed	0
# of Action Plans on Next Follow Up	3
Status as of May 31, 2019	In progress

Observation and Summary of Progress (Based on Self-Assessment conducted by Corporate Services)	Self-assessed Status
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Observation 1

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.

Partially implemented

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.

Original Management 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.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018 - In progress

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Staff have completed the City’s Asset Management Policy which was presented to Council on April 17, 2018, 14 months prior to the legislated deadline of July 1, 2019. Additionally, Staff continues to work expeditiously on a number of facets of the Asset Management Plan. Particularly, staff are focused on completing the Roads, Storm water, Bridges and Water/Wastewater plans by the July 1, 2021 deadline. Considerable work has also been undertaken in the areas of facilities and fleet where asset inventories and condition data are being completed and compiled.

Staff will be bring a “State of Asset Management” report to Council in the 2nd half of 2019 in order to keep Council apprised of the Asset Management planning progress at the City.

Observation 2

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 continue to be dispersed between various operational departments. This service delivery model which includes both centralized and decentralized functions presents the following risks:

Partially Implemented

- 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.

Original Management 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.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

In progress

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Staff continue to pursue opportunities to centralize facility management. In addition to taking on facility management at the libraries and museums in late 2017, during the second half of 2018, the Facilities Management section acquired responsibility for the Lionel E. Lalonde Centre in Azilda. Staff are working at standardizing work at this facility and incorporating in house expertise to perform and advise on maintenance planning. Staff will continue to centralize facility management in a methodical approach that seeks to limit service disruptions and increase the effectiveness and efficiency of the facility.

Observation 3

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.

Partially Implemented

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.

Original Management 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.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

In progress

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Through the 2019 budget process, Council approved a staff business case to convert part time hours to a full time skilled labourer position. It is expected that this position will reduce the amount of costly emergency repairs to equipment as a result of an improved maintenance program and increased familiarity with the nuances of various building systems within the CGS portfolio. Staff will continue to take advantage of opportunities to further enhance the skill level of internal labour resources when economically beneficial to do so.

Re: Governance Audit of the Greater Sudbury Housing Corporation

Audit Report released	May 2018
Original # of Observations	6
# of Action Plans Previously Complete	0
# of Action Plans Now Closed	6
# of Action Plans on Next Follow Up	0
Status as of May 31, 2019	Complete

Observation and Summary of Progress (Based on Self-Assessment conducted by Corporate Services and GSHC)	Self-assessed Status
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Observation 4.1

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

Complete

Recommendation

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.

Original Management Response: Agreed

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

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

No substantial action taken yet.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

A new Shareholder Declaration was approved on November 20, 2018 by Council resolution CC2018-203 which included changing the size of board and appointing Council as the Board. A new operating agreement was approved on March 19, 2019 and the operating framework was repealed CC2019-48 and CC2019-49.

Observation 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.

Complete

Recommendation

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

Original Management Response: Agreed

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.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

No substantial action taken yet.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Council has been appointed as the Board effective November 2018. Incoming Council was provided orientation package that included information from Housing Operations.

In order to foster public engagement and involvement in local Boards, BIAs, Corporations and Statutory Committees, the City of Greater Sudbury held a Board Fair on Tuesday, January 15th from 2:00 p.m. – 4:00 p.m. at Tom Davies Square. The goal of the Board Fair was to provide additional education and information to potential members regarding each body so that they may have the tools at their disposal to make a more fulsome decision as to which body they would like to participate in and contribute to. A booth/table was set up for each respective body where their designated representative provided Members of Council and citizen representatives with information such as but not limited to the following:

- Role of members
- Scope of organization
- Frequency of meetings/meeting preparation requirements
- Experience or knowledge that may be useful to participating members

In addition, the City Solicitor and Clerk provided a power point presentation to City Council on December 18, 2018. The presentation provided a brief overview on the roles and responsibilities of Council members regarding outside boards and corporations.

Observation 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 member of the GSHC Board.

Complete

Recommendation

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.

Original Management Response: Agreed

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

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

No substantial action taken yet.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

The shareholders declaration was revised on November 20, 2018 to increase the size of the board and appoint Council as the board. Incoming Council was provided orientation package that included information from Housing Operations. In addition, the City Solicitor and Clerk provided a power point presentation to City Council on December 18, 2018. The presentation provided a brief overview on the roles and responsibilities of Council members regarding outside boards and corporations.

Observation 4a

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.

Complete

Recommendation

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.

Original Management Response: Agreed

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

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

No substantial action taken yet.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Key Performance Indicators (KPI) are provided in the 2018 Annual General Report to the Shareholder which will be presented at the Annual General Meeting on May 7, 2019. Ongoing reporting of KPI's will be maintained in accordance with City policies and procedures.

Observation 4b

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.

Complete

Recommendation

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.

Original Management Response: Agreed

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

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

No substantial action taken yet.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Council has undertaken the development of a new strategic plan and one of the priorities in the proposed plan is Housing.

Observation 5

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.

Complete

Recommendation

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.

Original Management Response: Agreed

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.

Actions Taken, Results and /or Actions Planned - As of May 31, 2018

No substantial action taken yet.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

A social housing governance best practice review was conducted by KPMG and presented to Council on September 25, 2018. Council resolution 2018-257 approved the transition of the Greater Sudbury Housing Corporation to a quasi-independent operating model with oversight for the Greater Sudbury Housing Corporation transferred to Council as the Board of Directors.

Re: Governance Audit of Greater Sudbury Community Dev. Corp. [GSCDC]

Audit Report released	May 2018
Original # of Observations	9
# of Action Plans Previously Complete	0
# of Action Plans Now Closed	1
# of Action Plans on Next Follow Up	8
Status as of May 31, 2019	Some delays

Observation and Summary of Progress (Based on Self-Assessment conducted by GSCDC and Corporate Services)	Self-assessed Status
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Observation 4.1

The Operating Agreement is dated and requires formal review and updating to ensure that there is a shared understanding of the respective roles, responsibilities and authorities of the GSDC and the City for vetting projects with a major economic impact on the City.

Partially implemented

The GSDC should work with the City to review and update the Operating Framework to ensure there is a shared understanding of the respective roles, responsibilities and authorities of the GSDC and the City for vetting projects with a major economic impact on the City.

The City should ensure its boards and wholly-owned corporations have established appropriate LTFPs if they are dependent on the City for financial support of any type.

Original Management Response

We accept this recommendation. The GSDC Board, with the assistance of staff of the CGS Economic Development Division and CGS Legal Services, will initiate a Governance Review in Q3 2018. Reaffirming the relationship between the CGSCDC and City of Greater Sudbury will form part of this review and a written operating agreement between the two organizations will be a deliverable of this process.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Third-party review and consultation process completed; the Board continues to review findings to determine action to follow.

Observation 4.2

The By-laws of the GSDC and City are ambiguous on the role of the GSDC for vetting major projects with a major economic impact on the City.

Partially
implemented

The City's and the GSDC's applicable By-laws should be updated to support their respective roles, responsibilities and authorities for economic development.

Original Management Response

We accept this recommendation. The GSDC Board, with the assistance of staff of the CGS Economic Development Division and CGS Legal Services, will initiate a Governance Review in Q3 2018. Reaffirming the relationship between the CGSCDC and City of Greater Sudbury will form part of this review and a written operating agreement between the two organizations will be a deliverable of this process. Part of the Governance Review will be a consultation with Council to determine whether this role is appropriate and desired in the future. Results of these deliberations will be incorporated in the revised operating agreement and in by-laws as appropriate.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Bylaws updated to encompass requirements for Municipal Accommodation Tax implementation (see attached Letters patent); further review and action anticipated following review of consultant findings and next steps.

Observation 4.3

Under the GSDC's Operating Bylaws (Bylaw #5, Section 8), the General Manager of Growth and Development is appointed as the Chief Administrative Officer of the GSDC. This responsibility has been passed to the Director of Economic Development as this General Manager position no longer exists.

Partially
implemented

Bylaw 5 of the GSDC should be updated to clarify that the Director of Economic Development is now the General Manager of the GSDC.

Original Management Response

We accept this recommendation. The GSDC Board, with the assistance of staff of the CGS Economic Development Division and CGS Legal Services, will initiate a Governance Review in Q3 2018. The GSDC's Operating Bylaw will be updated as a result of this review and changes will be made to address this issue.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Third-party review and consultation process completed; Board continues to review findings to determine action to follow.

Observation 4.4

The roles of the executives of the board are briefly described within the By-laws but are not defined separately and clearly within job descriptions.

Partially
implemented

The roles of the executives of the board should be defined separately and clearly within job descriptions.

Original Management Response

We accept this recommendation. The GSDC Board, with the assistance of staff of the CGS Economic Development Division and CGS Legal Services, will initiate a Governance Review in Q3 2018. Outlining the role of the Executive and other committees, and developing job descriptions for each committee position, will be a deliverable of this review process.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Third-party review and consultation process completed; the Board continues to review findings to determine action to follow.

Observation 4.5

The mandate of the Executive Committee is not specified in the By-laws or clearly identified in other documents.

Partially
implemented

The mandate of the Executive Committee should be formalized and included in the GSDC's By-laws.

Original Management Response

We accept this recommendation. The GSDC Board, with the assistance of staff of the CGS Economic Development Division and CGS Legal Services, will initiate a Governance Review in Q3 2018. Outlining the role of the Executive and other committees, and developing job descriptions for each committee position, will be a deliverable of this review process.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Third-party review and consultation process completed; the Board continues to review findings to determine action to follow.

Observation 4.6

The City's information package for Councillors does not provide sufficient information on the mandate of the GSDC and the role and obligations of Councillors participating on the GSDC's Board for Councillors to make informed decisions during the nomination process.

Complete

The information package provided to members of Council during the nomination process should be updated to increase the content related to the mandate of the GSDC.

Original Management Response

We accept this recommendation. The City of Greater Sudbury is updating its Council Orientation Process and associated materials in preparation for the new council term which begins on December 1, 2018. Additional information will be provided in order to better orient councilors to the role of the Board.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

New collateral material developed and both staff and GSDC Board members participated in Board Day to improve information provided on Board role and priorities.

Observation 4.7

The GSDC's orientation of new Board members does not provide sufficient context with respect to the duties and obligations of Councilors as Board members and the potential for conflict between the interests of a Councillor and as a member of the GSDC Board.

Partially
implemented

The Board Orientation Program provided by the GSDC should be updated to increase the focus on the obligations of Councillor Members of the Board to the GSDC in their capacity as Board members.

Original Management Response

We accept this recommendation. The GSDC Board, with the assistance of staff of the CGS Economic Development Division and CGS Legal Services, will initiate a Governance Review in Q3 2018. Updating the Board Orientation Program will form part of this review process and appropriate updates will be made to address this recommendation.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Partly completed. Education and training was provided to Board members in December, 2018 in handling potential conflict of interest situations.

In order to foster public engagement and involvement in local Boards, BIAs, Corporations and Statutory Committees, the City of Greater Sudbury held a Board Fair on Tuesday, January 15th from 2:00 p.m. – 4:00 p.m. at Tom Davies Square.

The goal of the Board Fair was to provide additional education and information to potential members regarding each body so that they may have the tools at their disposal to make a more fulsome decision as to which body they would like to participate in and contribute to.

A booth/table was set up for each respective body where their designated representative provided Members of Council and citizen representatives with information such as but not limited to the following:

- Role of members
- Scope of organization
- Frequency of meetings/meeting preparation requirements
- Experience or knowledge that may be useful to participating members

In addition, the City Solicitor and Clerk provided a power point presentation to City Council on December 18, 2018. The presentation provided a brief overview on the roles and responsibilities of Council members regarding outside boards and corporations.

A report was also brought forward to the January 28, 2019 City Council meeting regarding the appointment of Council Members to Boards.

Observation 4.8

The Board is responsible for appointing the General Manager but does not prepare his/her annual performance appraisal or evaluate the quality of support received from the City in conjunction with the expectations set out in the Operating Agreement.

**Partially
implemented**

The Board's responsibility for preparing an annual performance appraisal of the General Manager should be documented. Additionally, the Board should assess the quality of services provided by the City on an annual basis.

Original Management Response

We accept the principle of this recommendation. The GSDC Board does not have a traditional employer/employee relationship with the General Manager as all staff resources are provided by the CGS. It is appropriate, however, for the GSDC Board to establish performance goals for the General Manager and review these with him or her on an annual basis. The GSDC Board, with the assistance of staff of the CGS Economic Development Division and CGS Legal Services, will initiate a Governance Review in Q3 2018. Developing an appropriate process for setting and reviewing performance goals will be a deliverable of this process. In addition, reviewing the services provided

by the CGS under a new operating agreement, will form part of the GSDC's Annual Report beginning in 2019.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Third-party review and consultation process completed; the Board continues to review findings to determine action to follow.

Observation 4.9

The Board does not prepare an annual business plan or budget or monitor its progress annually against these documents. Instead, it develops annual strategic priorities and monitors progress against them at each meeting.

**No substantial
action taken**

To ensure it meets its mission, the Board should consider preparing an annual business plan and budget and monitor its progress against these documents.

Original Management Response

We accept this recommendation. The GSDC Board, with the assistance of staff of the CGS Economic Development Division and CGS Legal Services, will initiate a Governance Review in Q3 2018. The potential for the GSDC Board to develop an annual business plan and budget will form part of this review and the Board will determine options and a course of action based on the results of the review.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Third-party review and consultation process completed; the Board continues to review findings to determine action to follow.

Re: Governance Audit of Greater Sudbury Police Services Board [GSPS]

Audit Report released	May 2018
Original # of Observations	4
# of Action Plans Previously Complete	0
# of Action Plans Now Closed	2
# of Action Plans on Next Follow Up	2
Status as of May 31, 2019	In Progress

Observation and Summary of Progress (Based on Self-Assessment conducted by GSPS)	Self-assessed Status
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Observation 4.1

Orientation services provided by the City to members of Council do not include a detailed discussion of the role of the GSPSB, the role of the City with respect to the organization or the dual obligations of Council members sitting on the GSPSB.

Substantially complete

The Councillor Orientation Program provided by the City should be updated to increase the content related specifically to the needs of the GSPSB and to focus on the role and obligations of Councillors when acting as Board members on the Police Services Board. This is an important and critical distinction for Councillors sitting on police boards in as much as they must be cognizant of not exercising their position as City Councillor while at the GSPSB board.

Original Management Response

Staff are currently reviewing the content for the orientation of a newly elected Council and additional content will be provided regarding the roles and obligations of Council members appointed to external boards and corporations.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

The Police Services Board has a comprehensive Orientation Program for new members which includes Council Member appointees and the Citizen appointed representative to the Police Services Board. This Orientation is currently under way for our newest member. This includes a component on Board Governance which is largely prescribed in legislation. The *Comprehensive Ontario Police Services (COPS) Act* has just been passed which replaces the *Police Services Act of Ontario*. Regulations are currently being drafted. The new Act is a significant overhaul of the former Police Services Act, and is important to provide Council orientation that is reflective of the changes. As soon as this material is ready, the Board will also extend an invitation to Council as a whole to participate in an Orientation of the Police Services Board and Greater Sudbury Police Service.

Discussions are underway with the Clerks Department to arrange for a Council Orientation session either by way of a presentation at a Council Meeting or in a Workshop format. This will be organized within two months and in the context of the new Act. The Board would also be willing to present to Council the role of the Board including responsibilities, time commitment and expectations including the desired qualities and characteristics of board members prior to nominations should Council make such a request.

In addition, the City of Greater Sudbury held a Board Fair on Tuesday, January 15th at Tom Davies Square to foster public engagement and involvement in local Boards, BIAs, Corporations and Statutory Committees.

The goal of the Board Fair was to provide additional education and information to potential members regarding each body so that they may have the tools at their disposal to make a more fulsome decision as to which body they would like to participate in and contribute to. The Board had a booth/table set where their designated representative provided Members of Council and citizen representatives with information such as but not limited to the following:

- Role of members
- Scope of organization
- Frequency of meetings/meeting preparation requirements
- Experience or knowledge that may be useful to participating members

Observation 4.2

The selection and appointment of members of Council and civilian members to the Board is currently done with limited consultation with staff of the Police Services although this advice is available and could be helpful.

Complete

The City should seek input from police services on the desirable characteristics and attributes for members of Council and civilian members appointed to the Board.

Original Management Response

Staff will meet with the Chief Administrative Officer for the Greater Sudbury Police Services Board to obtain input on desirable characteristics and attributes and will provide such information to Council in order to assist them with their selection process.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

The Service contributed to a report that went to Council providing background insight on the Police Services Board. In addition, the Service participated in the Council Fair on January 15 which was open to the public interested in serving during the 2018-2022 Council Term. Written materials were provided which gave insight as to the role of the Police Services Board. A display picture board portrayed activities of the Board and staff were on hand to respond to inquiries.

Observation 4.3

The City and Police Services presently share a number of services. Opportunities to share additional services such as fleet have not been closely examined to determine if they can be delivered more economically and effectively by the City.

Partially
implemented

The City should work with GSPSB staff to examine opportunities for additional shared services such as fleet services if they can be delivered more economically and effectively by the City.

Original Management Response

Given the scope of such a recommendation, consideration needs to be given for the current lack of capacity to service such a large client as well as the effect such an undertaking would have on the Fleet Services work plan and existing clients.

In order to provide capacity, significant renovations, investment and operational changes would need to occur. Renovations to accommodate additional parts and vehicle storage, investment in technicians and supervisory capacity, and transitioning the Lorne street garage to add a third shift to daily operations would be required.

Fleet has fairly recently transitioned to the Finance, Assets and Fleet Division within Corporate Services. There are a number of process improvement projects underway to improve both systems internal to Fleet and further definition of service levels with existing customers. In order to not compromise service to existing divisions/departments as well as the Fleet work plan, it is not recommended that Fleet Services provide service to Police Services at this current time.

The City will continue to review other areas where services can be shared effectively in addition to the current services provided in Human Resources, Information Technology and Finance including accounts payable, payroll, purchasing, accounting and budget system maintenance.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

These discussions are part of ongoing dialogue with City staff in order to maximize efficiencies through use of staff resources and systems where possible. Well-developed systems are in place with the finance division for services such as budget, accounts payable, accounts receivable and financial audit. As well, the Service works effectively with payroll, procurement, legal services, mail room, benefit and pension administration, facilities management including cleaning contracts and common space building security, WSIB claims management and where possible staff resources are shared. New initiatives include access to architectural services and other facility specialized contracts. For example, the City has just tendered for a number of standing offer facilities services including architectural and miscellaneous facilities services.

Fleet services is another area, that Police would like to explore, although to date, the City has indicated that the centre operates at capacity now, and would not be able to accommodate the

number and type of vehicles associated with police. This remains an area for further development and discussion with all parties willing to explore a partnership.

Police are currently working with the By-law department exploring efficiencies with respect to call management and alternative response means including abandon motor vehicle, animal control, neighbor disputes, noise complaints and theft of gas. At this time, this is a work in progress with no specific actionable items at this time. A review is also underway examining the possibility of sharing the shipping and receiving area with the City as a means of addressing some facilities challenges at Police Headquarters.

Observation 4.4

The Police Services and KPMG have identified that several facilities deficiencies are an impediment to providing police services safely, effectively and efficiently.

**Partially
implemented**

As facilities are a critical infrastructure requirement for police services - which is a core service of the City - the upgrade or replacement of these facilities should be prioritized within the City's asset management and facilities management planning processes.

Original Management Response

The City of Greater Sudbury has approximately 550 facilities within its portfolio. In order to direct capital expenditures to the highest priority projects 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. Combined with a revised capital budgeting model that is aimed at ensuring the highest priority projects receive funding; capital investment will be allocated where it is most effective at ensuring safety, reducing risk, foregoing costs, and meeting legislative and operational requirements. The Facilities Capital Project section will continue to work closely with Police Services at identifying and articulating future capital requirements. Similarly, the Facilities Maintenance section will continue to promptly service and rectify any maintenance related issues at Police occupied facilities.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

The Police Services Board has authorized a third location to extend HQ in order to accommodate immediate pressures at Headquarters with a commitment that the facility is located in very close proximity to 190 Brady Street. This will alleviate some of the urgent problems creating operational inefficiencies. At the same time, the Board has authorized a comprehensive facilities needs assessment to be undertaken with a view of a permanent solution. The Board has also endorsed that the Police work with the City to explore the feasibility of an Emergency Service Centre if there is interest to do so, to house Police, Fire and EMS on one site. It is anticipated that this work will get underway later this year. The Board also continues to establish a Capital Financing Plan to ensure the necessary resources to fund the project. This is being achieved through annual contributions to a reserve fund.

Re: Performance Audit of Purchasing Services

Audit Report released	June 2018
Original # of Observations	4
# of Action Plans Previously Complete	0
# of Action Plans Now Closed	4
# of Action Plans on Next Follow Up	0
Status as of May 31, 2019	Complete

Observation and Summary of Progress	Self-assessed Status
(Based on Self-Assessment conducted by Purchasing services)	

Observation 1

Purchasing Limits and Volumes

To allow staff to plan large purchases more effectively, it is recommended that the Purchasing By-law and purchasing thresholds be revised to the following levels which are similar to those in several of our municipal peers. To manage the risks associated with decentralizing purchasing, it is also recommended that purchasing staff monitor annual spending trends to ensure continued usage of standing offers for recurring purchases.

Complete

Purchasing Requirements	Present Thresholds	Suggested Thresholds
P card or purchase order	Less than \$2,000	Less than \$5,000
Minimum of 1 quote	\$2,000 to \$9,999	\$5,000 to \$24,999
Minimum of 3 quotes	\$10,000 to \$49,999	\$25,000 to \$99,999
RFPs and Tenders	\$50,000 or more	\$100,000 or more

Original Management Response

Agree with the recommendation to change the current purchasing thresholds to address the large number of Purchase Orders issued by the Purchasing Coordinators. A change to the purchasing limits would align with the Canadian Free Trade Agreement and the Comprehensive Economic and Trade Agreement (CETA). Purchasing staff would have the ability to concentrate on the larger \$ value procurements. Currently, the Purchasing By-law 2014-1 is being updated to reflect trade agreement rules and future electronic bidding. To execute the suggested thresholds, the Purchasing By-law 2014-1 and the Purchasing Authority Policy would require updating to match spending authority.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Purchasing By-law 2014-1 was amended on September 25, 2018, increasing thresholds as described above. Procurements with a Total Acquisition Cost less than \$100,000 are now being conducted by Operating Departments.

The Purchasing Authority Policy has also been updated to reflect the increased thresholds.

Observation 2

Procurement Planning

Purchasing staff should extend the bidding periods available within Tenders and RFPs to support more competitive and economical purchasing. Adopting the minimum timelines within the new legislation will address this concern.

Complete

Original Management Response

Agreed. The minimum timelines for Tenders and RFPs are prescribed within the trade agreements. CETA timelines are indicated within the agreement and when it is the CFTA, the timelines are indicated as a reasonable amount of time for bidding purposes. Purchasing will review on a case by case basis and determine the optimal allowable time for bidding purposes depending on the complexity and urgency of the requirement.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Purchasing has been adhering to the timelines prescribed in the trade agreements applicable to the estimated value of the procurement. Procurements with any type of complexity are given an extended bidding period which benefits Bidders and the City. The result of a longer bidding period may increase the number of Bidders and create more competitive and economical outcomes for the City. Electronic bidding will also give Bidders an extended time, as they now do not have to print/package and mail/hand deliver their submission.

Observation 3

Requests for Proposals

Price should receive not less than 30% of the weighting within the scoring criteria for RFPs to support more economical purchasing. The Purchasing By-law should be updated to reflect this minimum requirement.

Complete

Original Management Response

Agreed. RFPs will have a minimum weighting of 30% for pricing within the scoring criteria. RFP Policies and Procedures will be updated to reflect this change. Where an Operating Department requires a lower weighting, written approval would be required from the ELT member.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

All RFP's are procured through the Purchasing section. Purchasing will ensure that a minimum weighting of 30% for pricing is included in the scoring criteria. Staff are in the process of updating our procedure documents and will include the 30% price requirement within these documents.

Observation 4

Customer Satisfaction Survey

It is recommended that steps be taken to review and respond to the areas for improvement identified in the survey to improve the efficiency and effectiveness of the City's purchasing processes. When revising processes, care needs to be taken to establish efficient processes which continue to support economical and effective procurement within the City.

Complete

Original Management Response

Agreed. Upon approval of changes to the Purchasing By-law, increased thresholds, Purchasing Authority Policy updates, and electronic bidding, Purchasing will provide training sessions where by attendance will need to be mandatory for all staff with Purchasing Authority. Staff receiving the mandatory training will benefit from the new updates and have a better understanding of how to administer their procurements with the best possible outcomes within compliance of the Purchasing By-law and Trade Agreements. Training regarding the new updates will address benefits of a pre-qualification process, existing Standing Offers and will increase the usage of these Standing Offers which are a more efficient and effective way to purchase for their respective departments. The length of time to issue RFPs, RFTs, and RSPQs should be reduced with the majority of the Requests for Quotations completed by the Divisional staff with increased thresholds. Increasing purchasing limits for directors will require a change in the Purchasing By-law and the Purchasing Authority Policy limits.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Electronic bidding was implemented March 29, 2019 and will add a number of efficiencies to improve customer service both internally (City staff) and externally (Bidders).

Training was provided to General Managers and Directors on February 28, 2019. Revisions to the training material were made based on their feedback and mandatory training dates have been established starting May 6, 2019 (7 sessions currently available). Authorized Persons have been notified to attend one of the mandatory training sessions.

Re: Governance Audit of GSU Inc. & GSH Inc.

Audit Report released	August 2018
Original # of Observations	9
# of Action Plans Previously Complete	0
# of Action Plans Now Closed	2
# of Action Plans on Next Follow Up	7
Status as of May 31, 2019	In Progress

Observation and Summary of Progress (Based on Self-Assessment conducted by GSU & GSH)	Self-assessed Status
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Observation 6.1 a

The Boards and management should continue to work with Elenchus to assess options to enhance GSUI/GSH corporate governance. In particular, the assessment should include a review and update of formal, written mandates for the Boards and all Board Committees.

Partially implemented

Original Management Response

The HR/Governance/Nominating Committee completed work with Elenchus and recommended adoption of Terms of Reference for the following Board Committees: Audit, Finance and Risk Committee; HR, Governance and Nominating Committee; and New Business Development Committee. Those Terms of Reference are attached as Attachment 1. The Board approved the recommended Terms of Reference. The Board is awaiting the approval of modifications to the Shareholder’s Declaration prior to adopting the new Board Mandate.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

As noted the earlier response the committee mandates were developed by the HR/Governance Committee and approved by the Board on April 23, 2018. Additionally, the Board Mandate, currently in draft form will be finalized once the Shareholder has approved an updated Shareholder Declaration to ensure alignment. These documents have not changed since our original response.

Observation 6.1 b)

Review and update of Shareholder Declaration to ensure that Declaration is consistent with current practice and current circumstances.

Partially implemented

Original Management Response

The HR, Governance, Nominating Committee has completed work with Elenchus on a draft revision to the Shareholder's Declaration. The revisions to the Shareholder's Declaration will be included on the agenda of the next Annual General Meeting.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Since our initial response the HR/Governance committee has continued to enhance the Elenchus draft with input specific to National Policy 58-201 from Governance Solutions Inc. The draft proposed revised Shareholder's Declaration is appended to this update as Attachment 1. This draft takes into consideration current governance best practice including a majority of Independent Directors on all Boards.

Observation 6.1 c)

Formal documentation of Board Chair and CEO roles and responsibilities in the form of written mandates.

Partially
implemented

Original Management Response

The HR, Governance and Nominating Committee has developed a draft written mandate for the Board Chair, appended as Attachment 2, and CEO, appended as Attachment 3. The drafts will be reviewed, amended if required and adopted by the Board at the next regular Board Meeting.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

The Terms of Reference for the Board Chair and CEO Responsibility Mandate were developed by the HR Governance Committee and adopted by the Board without revision. The CEO Mandate is now augmented by the CEO's Annual Scorecard. The Terms of Reference and Responsibility Mandate are reviewed annually by the HR/Governance Committee. The CEO Scorecard is developed by the Strategic Planning and Execution Officer from the Corporate Scorecard once it has been approved by the Board of Directors after our annual Strategic Planning session.

Observation 6.1 d)

Changing composition of Boards – in particular the GSH Board – to include additional Independent Directors and increase the percentage of Independent Directors on the Board.

Partially
implemented

Original Management Response - See the response in part b above. The revised Shareholder's Declaration takes into consideration a majority of the Independent Directors on the GSHI Board.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Attachment 1 and our response in part b) above effectively respond to this matter. We anticipate that Council will deal with this issue in June of this year.

Observation 6.1 e)

Investigating options to enhance the use of the Skills Matrix to assess Board needs and the suitability of Directors and investigating ways in which the matrix could be applied to the appointment process for Directors who are Members of Council.

Partially implemented

Original Management Response

The GSUI Board of Directors and Management will support this initiative as required once Council has reviewed and made a determination.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

In addition to our initial response we note that the Nominating Committee used the skills matrix extensively in selecting Independent Directors in February of this year.

Observation 6.1 f)

Reviewing current orientation program for new Independent Directors to ensure it remains consistent with industry practice, organizational needs and OEB expectations. When completing this assessment, the Board and management should consider the guidance provided in National Policy 58-201 Corporate Governance Guidelines and in OEB-2014-0255 Draft Report of the Board on Corporate Governance Guidance for OEB Rate-Regulated Utilities.

Substantially Complete

Original Management Response

Orientation for new directors will involve both Corporate and Regulatory Counsel to ensure that current best practices and regulatory guidance are included in the information give to new Directors. This work will commence shortly in anticipation of a February start date.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

New Independent Directors were extensively oriented by staff. All experienced Directors voluntarily participated in this orientation. The slide deck used for orientation is appended to this update as Attachment 3. New Independent Directors, experienced Independent Directors, Council Member Directors and senior staff were expensively trained by Governance Solutions Inc. on the role of the Board. The training provides participants with the designation of Professional Director. The training

was comprised of 4 modules and took place over 8 days not including extra reading and preparatory work. The program is guided generally by Governance best practice, National Policy 58-201 and customized to give specific consideration of the Final Report of the Board on Corporate Governance Guidance for OEB Rate-Regulated Utilities. Attachment 4 is the Agenda at a Glance for this Certification Program outlining the Course Syllabus.

Observation 6.2

In accordance with the Shareholder Declaration, a Dividend Policy should be formalized for the review and approval of the Shareholder.

**Partially
Implemented**

Original Management Response

At our last Shareholder's meeting, Council asked that we provide some analysis of the value that GSU provided the Shareholder as well as discuss a potential dividend framework. The Board will continue this work and report back to the Shareholder as soon as practicable.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

The Board's Governance/HR Committee, with the assistance of Governance Solutions Inc. and in consultation with City staff has developed a Dividend Policy for presentation to the Shareholder at the Annual General Meeting June 4, 2019. In addition, staff at the City of Greater Sudbury have engaged GSU staff and its Board of Directors to discuss the development of a draft dividend policy. Research and analysis of other municipalities and the terms of their relationship with their LDC has also been undertaken. A draft Dividend Policy will be presented to City Council for approval by the end of the second quarter.

Observation 6.3

Management should work with the Board to review options to continue to enhance Board reporting materials in particular to ensure that management reporting includes reporting on performance against Key Performance Indicators (KPIs) that are linked directly to a wider range of objectives included in the Strategic Plan and any other relevant strategy or planning documents that support the Strategic Plan (e.g., Asset Management Plan).

**Partially
Implemented**

Original Management Response

The Board and Management will meet the second week of November to refine the current term goals for 2019. Select KPIs for each goal will be determined and documented in the 2019 work plan. The KPI results will be reported regularly to the Board throughout 2019 to monitor progress and make any adjustments necessary. Additionally, the current term goals, KPIs and their targets will be considered in assessing CEO performance for 2019.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

GSU Finance staff continues to provide monthly internal financial statement to both leadership and the Board of Directors. On an individual and a consolidated basis, these statements provide an accurate and timely view of the companies' financial position including operating income and cash flows.

In addition to regular financial reporting, the Board and management developed a Corporate Scorecard to articulate and monitor its strategic goals and targets for 2019. The Scorecard is supported by leadership scorecards developed for each leader at GSU. The leadership scorecards are informed by and carefully aligned with the Corporate Scorecard. The Corporate Scorecard results are updated and presented to the Board at each Regular Board Meeting together with a presentation and discussion of planned operational activities in the next review period. A copy of the Scorecard is included as Attachment 5.

Development of the scorecard fulfilled the Board's responsibility to direct the management of the corporation receiving updates and discussing operational plans is key to fulfilling the Board's responsibility to control the corporation.

The Scorecard is intended to track results with respect to a wider range of outcomes necessary to achieving GSU and its subsidiaries mandates. The Corporate Scorecard includes specific targets related to the following Goals.

- Customers – GSU will recognize that service to customers is core to our purpose;
- People – GSU will provide a safe, respectful environment for our people where they can achieve their full potential as experts and individuals;
- Financial – GSU creates value for our Customers and provides profit from each company. Our innovative and entrepreneurial spirit drives our growth;
- Operational Excellence – GSU businesses measure their performance to continuously improve operational excellence;
- Community – GSU will contribute daily to the social, cultural and economic fabric of our community.

Observation 6.4

The orientation program for new and returning Members of Council managed by the City should include an enhanced focus on the opportunities available to Members to act as Directors for agencies, boards and controlled corporations (ABCs), the responsibilities associated with this role – including the duties owed to the ABC in capacity of Director – and more in-depth background on ABC structures, strategies and operations.

Complete

Original Management Response from City Manager:

The City of Greater Sudbury is updating its Council Orientation Process and associated materials in preparation for the new council term which begins on December 1, 2018. Additional information will be provided in order to better orient councilors to the role of the Board.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

In order to foster public engagement and involvement in local Boards, BIAs, Corporations and Statutory Committees, the City of Greater Sudbury held a Board Fair on Tuesday, January 15th from 2:00 p.m. – 4:00 p.m. at Tom Davies Square.

The goal of the Board Fair was to provide additional education and information to potential members regarding each body so that they may have the tools at their disposal to make a more fulsome decision as to which body they would like to participate in and contribute to.

A booth/table was set up for each respective body where their designated representative provided Members of Council and citizen representatives with information such as but not limited to the following:

- Role of members
- Scope of organization
- Frequency of meetings/meeting preparation requirements
- Experience or knowledge that may be useful to participating members

In addition, the City Solicitor and Clerk provided a power point presentation to City Council on December 18, 2018. The presentation provided a brief overview on the roles and responsibilities of Council members regarding outside boards and corporations.

A report was also brought forward to the January 28, 2019 City Council meeting regarding the appointment of Council Members to Boards.

GSU staff participated in a “Board Fair” where members of Council or the public could talk to staff about GSU’s structure and receive information about the duties and responsibilities of GSU and GSH Directors.

Re: Governance Audit of Pioneer Manor

Audit Report released	August 2018
Original # of Observations	4
# of Action Plans Previously Complete	0
# of Action Plans Now Closed	2
# of Action Plans on Next Follow Up	2
Status as of May 31, 2019	In Progress

Observation and Summary of Progress (Based on Self-Assessment conducted by Community Services)	Self-assessed Status
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Observation 4.1

As noted by the members of Committee of Management (COM) and the City’s General Manager, Community Development, the size and mandate of COM is insufficient to ensure the City effectively oversees Pioneer Manor and manages its potential risks and legal liabilities, including the need for a major capital investment to upgrade one-third of the beds to meet provincial regulations.

Complete

The City should continue to move forward with plans to designate the Community Services Committee of Council as the COM. The Mandate of the COM should also be reviewed and updated to identify clearly the oversight and decision-making roles and authorities of the COM and to reflect any other governance changes.

Original Management Response

Agreed. This recommendation will be addressed in 2019.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Procedure By-Law (2019-51) passed on March 19th, 2019, authorizing Community Services Committee (CSC) to sit as the Committee of Management (COM) for Pioneer Manor as required under the *Long-Term Care Homes Act, 2007*, as amended.

Observation 4.2

The orientation of new COM Members, while discussing the statutory duties and obligations of Members of Council as COM members, could be enhanced with respect to educating new COM members on the context and operations of Pioneer Manor.

Complete

The COM Member Orientation process should be updated to focus on the general role and obligations of Members of Council when acting as COM members and to enhance the transfer of knowledge with respect to the legal/regulatory environment, strategies and operations of Pioneer Manor.

Original Management Response

Agreed. This recommendation will be addressed in 2019.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019 On April 15th, 2019, the Director North East Centre of Excellence for Seniors' Health (NECESH) presented to Community Services Committee (CSC) an overview of Pioneer Manor's operation and the legislative obligations under the *Long-Term Care Homes Act, 2007*, regarding the role of Committee of Management.

The education and familiarization of Pioneer Manor will continue in May 2019, where CCS members will be invited to tour the facility and receive a more in-depth presentation covering operations and the regulatory requirement for Long-Term Care.

Observation 4.3

When preparing its annual business plan, Pioneer Manor management does not conduct a risk assessment.

Partially implemented

Pioneer Manor management should conduct a risk assessment in conjunction with the annual business planning process.

Original Management Response

Agreed. This recommendation will be addressed in 2019.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

In January 2019, the Director (NECESH) started the process of undertaking an operational risk assessment after consultation with the General Manager of Community Development and the CAO. Direction was provided that the risk assessment, focus on Pioneer Manor operations as the City will be undertaking an enterprise wide risk assessment in the future. Pioneer Manor is on track to have the operational risk assessment completed by the end of the fourth quarter of 2019, in concert with the 2020 budget process.

To date the evaluation tools have been created for impact (i.e. severity) and likelihood of occurrence (i.e. probabilities) and 35 specific operational risks have been identified for assessment. On April 11, 2019, the management team started the process by putting 4 identified risks through the evaluation tool as a pilot to test the tool and make revisions as required before putting the balance of risks through the risk assessment.

Observation 4.4

Although the various reports provided to the COM and City Council include key information related to operations and patient safety, there is no formal, comprehensive Performance Management Framework - including Key Performance Indicators (KPIs) linked to documented business plan objectives – in place.

Partially
implemented

The performance monitoring practices of the COM should include using a set of key performance indicators to assess the achievement of strategic and operational objectives. Ideally these KPIs should include the extent of progress toward the achievement of strategic objectives and mitigation of significant risks identified during the annual business planning process.

Original Management Response

Agreed. This recommendation will be addressed in 2019.

Actions Taken, Results and /or Actions Planned - As of May 31, 2019

Starting in May 2019, Pioneer Manor will be providing a quarterly report to CSC that will include KPI's and metrics as a starting point. Once the risk assessment is completed more resources will be allocated to further refining Pioneer Manors KPIs. It is anticipated this work will carry over into 2020.