

Request for Decision

Governance Audit of the City of Greater Sudbury Community Development Corporation

Presented To:	Audit Committee
Presented:	Tuesday, Jun 19, 2018
Report Date	Thursday, May 31, 2018
Type:	Managers' Reports

Resolution

That the City of Greater Sudbury approves the recommendations as outlined in the report entitled "Governance Audit of the City of Greater Sudbury Community Development Corporation" from the Auditor General, presented at the Audit Committee meeting on June 19, 2018.

Signed By

Auditor General
Ron Foster
Auditor General
Digitally Signed May 31, 18

Relationship to the Strategic Plan / Health Impact Assessment

This report provides recommendations that support responsive, fiscally prudent, open governance.

Report Summary

Based on the results of the audit, the oversight structures and processes in place with respect to the GSDC generally appear to be effectively designed. Notwithstanding, a number of opportunities for improvement were identified.

Financial Implications

None

Governance Audit of the City of
Greater Sudbury Community
Development Corporation

May 31, 2018
FINAL REPORT



1. ORGANIZATIONAL BACKGROUND

The City of Greater Sudbury Community Development Corporation (GSDC) was incorporated in January 2001 under the *Ontario Business Corporations Act (OBCA)* and Municipal Act as a non-share, not-for-profit corporation. The GSDC is a municipal corporation which is governed by a Board of 18 Directors which consists of the Mayor and 3 members of Council and 14 community representatives.

The GSDC provides strategic leadership and coordination for all aspects of community economic development within the City of Greater Sudbury. Its mandate is to promote community economic development with the cooperation and participation of the community by encouraging, facilitating and supporting community strategic planning and increasing self-reliance, investment and job creation within the community. It works with partners including federal and provincial governments, community agencies, educational institutions and business to strengthen and diversify existing business, attract new business and investment from outside the region and coordinate strategic economic development initiatives within the community.

The relationship between the City and the GSDC is set out in an Operating Agreement dated May 3, 2007. Under this agreement, the City is required to provide facilities, equipment and administrative services to the GSDC as well as funding. In return for this funding and administrative services, the GSDC is required to comply with the City's Purchasing, Remuneration and Retention, and French Language Policy By-laws as well as such policies of general application in the City as may be implemented by by-law of the City or as may be provided to the GSDC from time to time.

In fiscal year ended December 31, 2016, the GSDC had revenues of \$1.53 million and expenses of \$1.41 million and a net surplus of \$0.12 million.

2. GOVERNANCE REVIEW: APPROACH & EXECUTION

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

2.1 Approach

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

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

2.2 Scope

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

2.3 Objectives & Assessment Criteria

The key objective of this audit was to assess the effectiveness of the design of oversight structures and processes. As such, the audit was not specifically designed to assess whether the oversight processes are

operating as designed and/or the outcomes generated by these oversight processes are appropriate. The table below sets out the review objectives and related assessment criteria.

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

2.4 Execution

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

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

2.5 Audit Standards

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

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

3. OBSERVATIONS

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

3.1 Overall Oversight Framework

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

- a) The mandate of the GSDC is documented within the operating agreement, strategic plan and the Articles of Incorporation.
- b) Formal mandates of the Community Economic Development Committee and Nomination Committee have been clearly established, however, the mandate of the Executive Committee has not been formally defined or documented.
- c) While the roles and responsibilities of the officers of the Board are briefly described within By-laws No. 5, there are no separate job descriptions for these important positions.
- d) Under the GSDC's Operating Bylaws (Bylaw #5, Section 8), the General Manager of Growth and Development is identified as the General Manager of the CSDC. This position no longer exists within the CGS organization chart and the responsibility has passed to the Director of Economic Development. The practice of the City and GSDC has been to have the CAO of the City participate on the Board and Executive Committee as a non-voting member.
- e) New Directors are provided with orientation sessions and key documents to acquaint them with the vision, mission, strategic plan, annual planning priorities of the GSDC as well as major initiatives and Operating agreement with the City and major policies such as Conflict of Interest and CED Funding Guidelines.
- f) The behavioural expectations and obligations of most Directors are specifically documented in the Conflict of Interest Policy. Insufficient details are provided to Councillors to assist them with determining if they are in conflict.

3.2 Oversight Roles & Responsibilities

The oversight roles and responsibilities of the GSDC Board of Directors are defined and documented but the Board does not have a clearly documented mandate to perform a number of tasks. For example:

- a) The Board is responsible for appointing the General Manager ("CEO") but is not responsible for preparing his/her performance appraisal.
- b) The role of the Board for vetting projects with a large economic impact is not clearly defined in the By-laws, mission or vision of the Corporation. At present, there is no requirement for the City to consult

with the GSDC on proposed business cases for projects to ensure sufficient community input is obtained on these projects.

- c) The Board is responsible for reviewing and approving all reports to Council including annual financial statements and annual reports. The Board does not, however, prepare an annual business plan or budget.

3.3 Performance Monitoring

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

- a) The Strategic Plan was developed with the input of the previous and current Board, including assessing the consistency of the Plan with the GSDC mandate and organizational authorities. In addition, the new Board reviewed the Strategic Plan when it was appointed in 2015 and prepared the first annual report in 2017. The Strategic Plan includes a list of Key Performance Indicators that are monitored and reported at least annually.
- b) The Board reviews and approves annual financial statements for the GSDC.
- c) The Board receives and reviews a monthly reporting package from the General Manager that includes information related to the annual planning priorities and major initiatives.
- d) The Board reviewed the business cases for the Synergy Centre which will have a major economic impact on the City if it is approved by City Council. The Board did not, however, have input on the business case for the Art Gallery/Library or Event Centre projects.

3.4 City Oversight

While the City has established a general framework for the oversight of the organization, a number of opportunities for improvement were identified. For example:

- a) The Operating Agreement sets out the certain roles of the City and the GSDC. While the City is responsible for control of the corporate governance structure of the corporation, it has not updated the agreement since 2007 to formalize a number of relevant oversight processes.
- b) The Operating Agreement does not provide the City with full and free access to GSDC's records for the purpose of audit. The Municipal Act may exempt the GSDC unless the City specifies otherwise.
- c) There have been differences of opinion about the role of the GSDC and responsibilities of Council for vetting major projects that may have a major economic impact on the City.
- d) The City provides minimal information about the GSDC and almost no orientation to members of Council during the nomination process for members of Council that are appointed to the board of the GSDC and other agencies, boards and municipally-controlled corporations.

- e) The GSDC provides orientation training to new Board members but does not tailor its orientation program for members of Council who are appointed to the Board.

4. FINDINGS AND RECOMMENDATIONS

The audit assessed the effectiveness of the design of oversight structures and processes. As noted above, the audit was not specifically designed to assess whether the oversight processes are operating as designed and/or the effectiveness of the outcomes generated by these oversight processes. However, where operational observations were noted they have been identified above.

Based on the results of the audit, the oversight structures and processes in place with respect to the GSDC generally appear to be effectively designed. Notwithstanding this finding, some concerns have been identified below along with a recommendation and management response for each.

The management responses outlined after each recommendation have been jointly developed and approved by the City of Greater Sudbury and the GSDC Board of Directors.

- 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.

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.

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.

- 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.

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

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.

- 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.

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

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.

- 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.

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

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.

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

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

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.

- 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.

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.

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 councillors to the role of the Board.

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

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.

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.

- 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.

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.

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.

- 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.

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

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.