



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

Request for Decision

Governance Audit of the Greater Sudbury Housing Corporation

Resolution

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

Signed By

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

Relationship to the Strategic Plan / Health Impact Assessment

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

Report Summary

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

Financial Implications

This report has no financial implications.

Governance Audit of the
Greater Sudbury Housing
Corporation

May 1, 2018
FINAL REPORT



1. ORGANIZATIONAL BACKGROUND

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

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

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

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

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

2. GOVERNANCE AUDIT: APPROACH & EXECUTION

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

2.1 Approach

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

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

2.2 Scope

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

2.3 Objectives & Assessment Criteria

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

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

2.4 Execution

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

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

2.5 Audit Standards

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

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

3. OBSERVATIONS

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

3.1 Overall Oversight Framework

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

- a) The mandate and roles and responsibilities of the Board are documented in a variety of sources, including the *Housing Services Act*, the Shareholder Declaration and Operating Framework, the GSHC By-Law No.1 (Corporate Organizational By-Law), and the Articles of Incorporation.
- b) Formal mandates have been established for each of the Board Committees which document the roles and responsibilities of these Committees.
- c) The roles and responsibilities of the Board Chair have been documented in a position description that is approved by the Board.
- d) The behavioural expectations and obligations of Directors are specifically documented in the "Privacy & Confidentiality Policy" and the "Board of Directors Code of Conduct" and are also addressed in the *Housing Services Act*.
- e) New Directors are provided with orientation sessions to acquaint them with the strategy and operations of the GSHC and key organizational risks and initiatives. Orientation materials do not address specifically potential conflicts for Councillors on the Board between their obligations to the GSHC and their role as Council members. After initial orientation, ongoing training and resources are available to Board members from sector organizations such as Ontario Non-Profit Housing Association (ONPHA) and Housing Services Corporation. Some Board members have attended the annual ONPHA conference. Education and training is provided on an ongoing basis on a wide range of GSHC business matters and operations during board meetings as the need arises.

- f) The Shareholder is responsible for naming directors to the Board and the qualification criteria is documented in the Shareholder Declaration at section 4.2 "Qualifications of Directors". Citizens are nominated for appointment to the Board by a recommendation of the GSHC Nominations Committee for Council approval in accordance with the Shareholder Declaration. The Nominations Committee is comprised of the two appointed Councillors, the City's Manager of Housing Services, and the CEO of the GSHC. There is a formal application, screening and interview process conducted by the Nominations Committee. Resolutions from this committee recommending citizen appointments are then forwarded to the Shareholder for approval.
- g) The Board is responsible for reviewing and approving the Annual Report and the Five-Year Strategic Plan both of which are publicly available via the GSHC website.
- h) The high-level strategic and operational objectives of the organization are documented in the Shareholder Declaration and Operating Framework.

3.2 Oversight Roles & Responsibilities

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

- a) The Board is responsible for hiring the General Manager ("CEO") and for approving other staffing recommendations provided by the CEO. The CEO is subject to an annual performance review by the Board based on documented performance criteria. The Board is also responsible for executive level succession planning and is developing a formal, detailed succession plan, which includes a review of management compensation which was completed during 2017.
- b) GSHC management provides the Board with detailed strategic and operational plans that include specific tasks and performance measures for the five strategic priorities identified in the Strategic Plan 2015-2019.
- c) Board reviews and approves Business Cases for all significant operational initiatives.
- d) GSHC completed a detailed Environmental Scan to support the development of its most recent Strategic Plan. This Scan included an assessment of the most significant risks faced by the GSHC and how these may impact the strategic priorities identified in the Plan.

3.3 Performance Monitoring

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

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

- b) The Board’s review and approval of annual budgets and operational initiatives includes an assessment of the consistency of these budgets and initiatives with the Strategic Plan.
- c) The Board receives and reviews a monthly reporting package from GSHC management that includes information related to financing, capital planning and projects, housing portfolio maintenance and the provision of tenant services.
- d) The reporting package provides robust information related to activities and financial measures. However, no formal, comprehensive Performance Management Framework – including specific Key Performance Indicators (KPI) – is in place.

3.4 City Oversight

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

- a) The Shareholder Declaration and Operating Framework set out the respective roles of the City (as both Shareholder and Service Manager) and the GHSC. The Shareholder Declaration has not been substantively updated since it was published in 2000. The Manager of Housing Services completed an initial review of the Declaration and advised the GSHC of the review but to date no formal revisions have been completed and approved. Stakeholders from both GHSC and the City have indicated that updates to the Declaration would be beneficial.
- b) Pursuant to Ministerial Directive under section 19(1) of the Housing Services Act, 2011, the City as Service Manager was delegated the authority in 2017 to consent to the proposed divesture and modification of the social housing portfolio, subject to the completion of a comprehensive notification process. The Ministry of Housing is encouraging housing providers and Service Managers to strategically assess their social housing portfolios to ensure this legacy supply of housing meets current and future community needs. Through these assessments, it may be evident that some elements of a provider’s social housing portfolio are no longer meeting community housing needs and/or are financially unsustainable and/or are physically obsolete. These discussions will form part of the social housing revitalization plan which will include significant input from the GSHC and other social housing providers.
- c) The City as Shareholder is responsible for control of the corporate governance structure of the organization and has various responsibilities related to program funding and administration as outlined in the *Housing Services Act*.
- d) The City as Service Manager is accountable to the Province. As Service Manager, the City is to perform the duties assigned to it under *The Social Housing Reform Act* and subsequent regulations i.e. program funding and administration. This Act also envisioned that the City would further refine and define this operating agreement to suit local circumstances.
- e) The City, as either Shareholder or Service Manager, also has significant approval authority with respect to the GSHC as it pertains to topics such as financial management (including subsidy approvals), real estate portfolio management, Board appointments and creating or amending corporate by-laws.
- f) The Operating Framework provides City with full and free access to GSHC premises and records for the purpose of audit review.

- g) The City provides orientation information to new and returning Councillors including an introduction to the agencies, boards and corporations overseen by the City and the role of Councillors who participate on these Boards. The orientation provided does not include detailed information on the role of the GSHC and the role of the City with respect to the organization.
- h) The City's Manager of Housing Services is responsible for liaising with GSHC management and Board and for encouraging alignment of GSHC activities with City housing policy strategies and initiatives. In addition, quarterly meetings – chaired by the General Manager of Community Development – are held amongst Housing Services staff and GSHC senior management.

4. FINDINGS

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

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

- 1) The Shareholder Declaration & Operating Framework is dated and requires formal review and updating.
- 2) The City's orientation process for new and returning City Councillors does not provide sufficient content with regard to the role of the GSHC or sufficient context with respect to the role and obligations of Councillors participating on the GSHC Board.
- 3) The GSHC's orientation process for new Board members does not provide sufficient context with respect to the duties and obligations of Councillors as Board members, in particular, the potential conflict between the interests of a Councillor as a representative of the City and as a member of the GSHC Board.
- 4) Neither the City's oversight process nor the performance monitoring practice include a review of the GSHC's strategic plan and related initiatives to ensure they align with the GSHC's obligations and authorities as set out in the Operating Framework. The monthly reporting package to the GSHC Board provides significant information but a formal, comprehensive Performance Management Framework – including specific Key Performance Indicators (KPI) – is not in place.

5. RECOMMENDATIONS

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

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

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

Management Response:

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

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

Management Response:

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

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

Management Response:

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

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

Management Response:

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

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

Management Response:

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

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

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

Management Response:

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

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