

COMMITTEE AGENDA



TO **Governance Committee**

DATE Tuesday, October 6, 2015

LOCATION Council Chambers, Guelph City Hall, 1 Carden Street

TIME 3:00 p.m.

DISCLOSURE OF PECUNIARY INTEREST AND GENERAL NATURE THEREOF

CONFIRMATION OF MINUTES – July 27 and August 4, 2014 open meeting minutes

PRESENTATIONS (Items with no accompanying report)

- a) Open Guelph Progress Report: Barbara Swartzentruber, Executive Director, Intergovernmental Relations, Policy and Open Government and Andy Best, Program Manager, Open Government

CONSENT AGENDA

The following resolutions have been prepared to facilitate the Committee's consideration of the various matters and are suggested for consideration. If the Committee wishes to address a specific report in isolation of the Consent Agenda, please identify the item. The item will be extracted and dealt with separately. The balance of the Governance Committee Consent Agenda will be approved in one resolution.

ITEM	CITY PRESENTATION	DELEGATIONS	TO BE EXTRACTED
GOV-2015.12/AUD-2015.13 Revisions to the Internal Audit Charter			
GOV-2015.15 Bill 8 Overview and Status of Integrity Commissioner and Ombudsman Positions			
GOV-2015.16 <i>Municipal Act and Municipal Conflict of Interest Act</i> Review, Consultation and Comments			

GOV-2015.17 Process for Preparing Budgets: Mayor's Office & Council			
GOV-2015.18 Cell Phone Policy for Councillors			

Resolution to adopt the balance of the Governance Committee Consent Agenda.

ITEMS EXTRACTED FROM CONSENT AGENDA

Once extracted items are identified, they will be dealt with in the following order:

- 1) delegations (may include presentations)
- 2) staff presentations only
- 3) all others.

CLOSED MEETING

That the Governance Committee now hold a meeting that is closed to the public with respect to:

GOV-C-2015.2 CAO Performance Appraisal Process

S. 239 (2) (b) of the *Municipal Act* – personal matters about identifiable individuals.

OPEN MEETING

SPECIAL RESOLUTIONS

STAFF UPDATES AND ANNOUNCEMENTS

ADJOURN

NEXT MEETING – December 8, 2015



**The Corporation of the City of Guelph
Governance Committee
Monday July 27, 2015 at 4:00 p.m.**

Attendance

Members: Chair Guthrie
Councillor Bell
Councillor Downer
Councillor Hofland
Councillor Wettstein

Councillors: Councillor Van Hellemond

Staff: Ms. A. Pappert, Chief Administrative Officer
Mr. M. Amorosi, Deputy CAO, Corporate Services
Ms. B. Swartzentruber, Executive Director Intergovernmental Relations, Policy & Open government
Ms. T. King, Program Manager
Ms. J. Sweeney, Council Committee Coordinator

Call to Order (4:00 p.m.)

Chair Guthrie called the meeting to order.

Disclosure of Pecuniary Interest and General Nature Thereof

There were no disclosures.

The Chair advised that the purpose of the meeting was to receive information on the governance, Council Shared Agenda Work Plans.

Ms. Swartzentruber, recapped the focus of the shared agenda workshops.

Ms. Pappert highlighted the key deliverables and the dependencies associated with the governance work plans.

The Committee discussed the governance – Council Shared Agenda Work plans.

1. Moved by Councillor Downer
Seconded by Councillor Bell
 1. That the Governance Committee – Council Shared Agenda Work Plan, be received.
 2. That Committee input inform the next steps in the Council Shared Agenda Work Plan process.

VOTING IN FAVOUR: Mayor Guthrie, Councillors Bell, Downer, Hofland and Wettstein (5)

VOTING AGAINST: (0)

CARRIED

2. Moved by Councillor Hofland
Seconded by Councillor Bell

That staff be directed to develop a prioritization exercise for the Council Workshop scheduled for September 23, 2015.

VOTING IN FAVOUR: Mayor Guthrie, Councillors Bell, Hofland and Wettstein (4)
VOTING AGAINST: Councillor Downer (1)

CARRIED

Adjournment (5:30 p.m.)

3. Moved by Councillor Bell
Seconded by Councillor Hofland

That the meeting be adjourned.

CARRIED

Joyce Sweeney
Council Committee Coordinator



**The Corporation of the City of Guelph
Governance Committee
Tuesday, August 4, 2015 at 3:00 p.m.**

Attendance

Members: Chair Guthrie
Councillor Bell
Councillor Downer
Councillor Hofland
Councillor Wettstein (arrived at 3:20 pm)

Councillors: Councillor Allt

Staff: Ms. A. Pappert, Chief Administrative Officer
Mr. D. Godwaldt, General Manager, Human Resources
Ms. R. Shaubel, Internal Auditor
Ms. T. Agnello, Deputy Clerk
Mr. D. McMahon, Council Committee Coordinator

Others: Ms. C. Van Andel, Barcon Consulting
Mr. M. Ingram, Deloitte

Call to Order (3:00 p.m.)

Chair Guthrie called the meeting to order.

Disclosure of Pecuniary Interest and General Nature Thereof

There were no disclosures.

Confirmation of Minutes

1. Moved by Councillor Bell
Seconded by Councillor Hofland

That the open meeting minutes of the Governance Committee held on June 30, 2015 be confirmed as recorded.

VOTING IN FAVOUR: Mayor Guthrie, Councillors Bell, Downer and Hofland (4)

VOTING AGAINST: (0)

CARRIED

Consent Agenda

The following items were extracted:

GOV-2015.10	CAO Performance Appraisal Process
GOV-2015.11	Capital Projects Risk Assessment
GOV-2015.12	Revisions to Internal Audit Charter

Balance of Consent Items

2. Moved by Councillor Bell
Seconded by Councillor Downer

That the balance of the Governance Committee August 4, 2015 Consent Agenda, as identified below, be adopted:

GOV-2015.6 Governance Committee Outstanding Motions

That Report CS-2015-55 dated August 4, 2015 entitled "Governance Committee Outstanding Motions", be received for information.

VOTING IN FAVOUR: Mayor Guthrie, Councillors Bell, Downer and Hofland (4)

VOTING AGAINST: (0)

CARRIED

Extracted Items

GOV-2015.11 Capital Projects Risk Assessment

Mr. Michael Ingram of Deloitte presented the recommendations of Deloitte's Complex Capital Projects Risk Management Assessment. Ms. Ann Pappert presented management's response to the Capital Projects Risk Management Assessment completed by Deloitte.

3. Moved by Councillor Bell
Seconded by Councillor Hofland

That Report CAO-C-1507 dated August 4, 2015 entitled "Capital Projects Risk Assessment, including attachment #1, be received.

VOTING IN FAVOUR: Mayor Guthrie, Councillors Bell, Downer, Hofland and Wettstein (5)

VOTING AGAINST: (0)

CARRIED

GOV-2015.12 Revisions to Internal Audit Charter

Ms. Ann Pappert introduced Ms. Ruvani Shaubel prior to discussing the history of the Internal Audit position and charter. Ms. Ruvani Shaubel provided information on several proposed amendments to the Internal Audit Charter.

4. Moved by Councillor Wettstein
Seconded by Councillor Hofland
 1. That the Governance Committee receive the report CAO-A-1505 including attachments.
 2. That report CAO-A-1505 and the feedback of the Governance Committee be referred to the next meeting of the Audit Committee for their input.

3. That following the input from Audit Committee, a further staff report with proposed amendments by staff, be referred back to Governance Committee for final recommendation to City Council.

VOTING IN FAVOUR: Mayor Guthrie, Councillors Bell, Downer, Hofland and Wettstein (5)

VOTING AGAINST: (0)

CARRIED

GOV-2015.10 CAO Performance Appraisal Process

Ms. Connie Van Andel of Barcon consulting presented an overview of the CAO performance appraisal process.

5. Moved by Councillor Hofland
 Seconded by Councillor Wettstein

That the report with respect to the CAO Performance Appraisal Process, be received.

VOTING IN FAVOUR: Mayor Guthrie, Councillors Bell, Downer, Hofland and Wettstein (5)

VOTING AGAINST: (0)

CARRIED

Authority to Resolve into a Closed Meeting

6. Moved by Councillor Wettstein
 Seconded by Councillor Bell

That the Governance Committee now hold a meeting that is closed to the public in accordance with Sec. 239(2) (b) of the *Municipal Act* with respect to personal matters about identifiable individuals.

CARRIED

Closed Meeting (4:35 p.m.)

The following matter was considered:

GOV-C-2015.1 CAO Performance Appraisal Process

Rise from Closed Meeting (5:22 p.m.)

7. Moved by Councillor Hofland
 Seconded by Councillor Bell

That the Governance Committee rise from closed meeting into open session.

CARRIED

Open Meeting (5:23 p.m.)

Mayor Guthrie reported that no action was taken with regard to closed item GOV-C-2015.1 'CAO Performance Appraisal Process'.

Adjournment (5:23 p.m.)

8. Moved by Councillor Bell
Seconded by Councillor Hofland

That the meeting be adjourned.

CARRIED

Dylan McMahon
Council Committee Coordinator



Progress Report

Governance Committee, October 6, 2015



Objectives

- Build understanding of what this is and why we're doing it
- Enable you to discuss this initiative “on the doorstep”
- Understand project launch timelines and deliverables



What we'll discuss

- The challenge we're solving
- The Open Guelph backstory
- What we've accomplished
- What's next and what it means for citizens, businesses and City staff
- Testing out key messages



Open Guelph: What's in a name?

- More than just political transparency, service modernization and engagement
- All of these things and more
- Challenge: this is a fast moving, public file



What's the problem we're solving?

- We need to evolve because we can't solve new kinds of problems with outdated technology and strategies.
- Our citizens are busy, with big expectations and a trust gap
- Dealing with what's urgent today and being prepared for tomorrow





Open Guelph: The Backstory

- Framework approved in 2012
- Interim report, specific to Guelph in 2014
- Action Plan approved in late 2014
 - Active community conversations
 - Surveys, champions roundtables and change camp
 - Online idea sourcing with Mindmixer
 - Health Jam and Hackathons
- Guelph is a recognized leader on this file at municipal, provincial and national levels⁷





2015 Change Camp with 65 participants



Where responsibility lies

- Co-led by the Office of the CAO and the Department of Information Technology
- ... but large share of results coming from departments across the City



Accomplishments to date

- **Engaged local entrepreneurs and students to create solutions**
 - \$60,000 of software for \$2,500
- **Supported front line employees in creating service improvements**
 - \$8,000 investment brought in \$110,000 in revenue



Accomplishments to date cont'd

- **Welcomed external skill sets inside our walls**
 - Guelph Lab procurement innovations
 - Round Tables
 - Open Guelph Citizens Task Force
- **Opened up data and created educational tools for citizens**
 - open data catalogue and budget simulator



Plans for 2016

- Categorized based on who is the focus of the project
 - Citizens
 - Local Business
 - City staff



Plans for 2015-16: Citizens

- **Release new digital service delivery tools**
 - myGuelph: one stop shop
 - Photo-based issue reporting
 - Service dashboards, interactive maps
 - Mindmixer, Ask Guelph, guelph.ca content, council information
 - New service modules: TBD based on extensive community consultation



Plans for 2015-16: Citizens cont'd

- Developing performance metrics for Open Guelph
- Launch version 2 of open data catalogue with more information (FOIs) and visualization tools
- Open new public collaboration space (room 112)



Plans for 2015-16: Business

- Open Information Catalogue = business intelligence
- Seek creative, affordable solutions to City problems with ROI while supporting local SMEs
 - Entrepreneur in Residence program
 - Technology challenge competitions
- Consultation to better understand potential benefits and needs



Plans for 2015-16: Internal

- Support this cultural change and help build capacity across departments
- Dragon's Den 2: a proven, employee-driven innovation program that finds new efficiencies and effectiveness
- Build capacity to collect and analyze relevant data in support of continuous improvement



Next steps

- An expansion request in support of these projects has been referred to the 2016 budget process.



Timelines

- See handout



Testing Key Messages: 1

- To remain relevant and build trust, the City of Guelph must rise to meet citizens' expectations around technology, access to services and ways to participate.
- We need to not only deal with what's urgent today but plan and prepare for the expectations of tomorrow.



Testing Key Messages: 2

- We're modernizing our service delivery to build transparency, accountability and trust with our community.
- These projects are the future of municipal governance and service delivery in an era of fiscal constraint, changing citizen expectations and capacity challenges.



Testing Key Messages: 3

- Our residents need easier access to accurate, timely information about how their money is spent. They need more ways to connect with decision makers. We are building these tools.
- Easy ways to monitor City services helps meet and manage expectations about what we do.



Zooming out

- Open to listen
- Open for business
- Open to fix problems
- Open to change



Wrapping up

- The best part is that it's already happening, all across the City of Guelph.



Questions or comments?



**GOVERNANCE COMMITTEE
CONSENT AGENDA**

Tuesday, October 6, 2015

Members of the Governance Committee.

SUMMARY OF REPORTS:

The following resolutions have been prepared to facilitate the Committee’s consideration of the various matters and are suggested for consideration. If the Committee wishes to address a specific report in isolation of the Consent Agenda, please identify the item. The item will be extracted and dealt with immediately. The balance of the Governance Committee Consent Agenda will be approved in one resolution.

Reports from Administrative Staff

REPORT	DIRECTION
<p>GOV-2015.12/ REVISIONS TO THE INTERNAL AUDIT CHARTER AUD-2015.13</p> <p>1. That the report entitled ‘Revisions to the Internal Audit Charter’, dated August 4, 2015 be approved.</p>	Approve
<p>GOV-2015.15 BILL 8 OVERVIEW AND STATUS OF INTEGRITY COMMISSIONER AND OMBUDSMAN POSITIONS</p> <p>1. a) That staff be directed to proceed with the issuance of an RFP for the purpose of retaining an Integrity Commissioner, pursuant to the accountability and transparency provisions of the <i>Municipal Act</i>; and,</p> <p style="padding-left: 40px;">b) That a by-law be brought forward to Council for the appointment of same.</p> <p>2. a) That staff be directed to work with area municipalities in the issuance of a joint RFP for the purpose of retaining a joint Ombudsman, pursuant to the accountability and transparency provisions of the <i>Municipal Act</i>; and,</p> <p style="padding-left: 40px;">b) That a by-law be brought forward to Council for the appointment of same; and,</p> <p style="padding-left: 40px;">c) That the costs of an Ombudsman’s services be referred to the 2016 budget process.</p> <p>3. That staff report back to a subsequent Governance Committee</p>	Approve

meeting on the details of an internal complaint resolution procedure.

GOV-2015.16 MUNICIPAL ACT AND MUNICIPAL CONFLICT OF INTEREST ACT REVIEW, CONSULTATION AND COMMENTS

Approve

1. That Report GOV-2015-95 entitled "*Municipal Act and Municipal Conflict of Interest Act Review, Consultation and Comments* " dated October 6, 2015 regarding the 2015 Ontario municipal legislative review, be received.
2. That response included as Attachment 1 be endorsed and that staff be directed to submit to the Ministry of Municipal Affairs and Housing by the October 31, 2015 deadline.

GOV-2015.17 PROCESS FOR PREPARING BUDGETS: MAYOR'S OFFICE AND COUNCIL

Approve

That Council approve the accountabilities and procedures as outlined in Report CAO-C-1508 entitled "Process for Preparing Budgets: Mayor's Office and Council"; regarding the preparation, sign off, submission and presentation of budgets related to the Office of the Mayor and City Council.

GOV-2015.18 CELL PHONE POLICY FOR COUNCILLORS

Report will be included on the addendum.

STAFF REPORT



TO Governance Committee

SERVICE AREA Chief Administrative Officer, Office of the CAO

DATE August 4, 2015

SUBJECT Revisions to Internal Audit Charter

REPORT NUMBER CAO-A-1505

EXECUTIVE SUMMARY

PURPOSE OF REPORT

To respond to Council direction (March 2015) that management refine the processes and terms for functional and administrative reporting of the internal audit function and report recommended amendments to the Internal Audit Charter, in 2015 through Governance Committee.

CAO-A-1505 highlights proposed amendments to the Internal Audit Charter in alignment with the professional standards of the Institute of Internal Auditors (IIA). Amendments provide a clearer reflection of the mandate of the Internal Audit Department as well as the related functional and administrative responsibilities of the Audit Committee and the Chief Administrative Officer.

KEY FINDINGS

Internal audit is an independent, objective and consulting activity designed to add value and improve an organization's operations. Typically in a municipal government setting, an Internal Auditor has dual functional reporting relationship with both Council and Executive management and this is distinct from an Auditor General, who reports only to City Council.

Internal audit's primary mandate is to assist senior management meet their responsibility to maintain proper systems of internal controls, identify and evaluate significant risk exposures, and strengthen risk management throughout the City. In order to maintain independence of the function, the services offered by the Internal Audit Department do not include conducting service reviews or rationalizations.

There are distinct functional roles in relation to the Internal Auditor for both the City's Audit Committee and the Chief Administrative Officer and/or Executive Team. The original Internal Audit Charter was silent on Internal Audit's functional reporting relationship to the Chief Administrative Officer. This omission has been corrected.

STAFF REPORT

The Internal Audit Work Plan is developed with due regard to prioritizing the audit universe using risk-based audit methodology and with consideration of requests from Members of Council, senior management and staff. The finalized Work Plan is presented to Audit Committee for information and submitted to Council for their approval.

Further refinements are also provided to ensure the independence required for the Internal Auditor to establish his/her Work Plan. In case there is a request for a project that cannot be accommodated within the Work Plan, the Committee or Council may refer the project to the CAO for resolution.

FINANCIAL IMPLICATIONS

N/A

ACTION REQUIRED

Governance Committee to receive report CAO-A-1505 and provide input to staff.

Governance Committee to further refer CAO-A-1505 and input to Audit Committee (September/15) for their review and comment.

Once both Governance and Audit have provided input, staff will provide a further staff report with final recommendations to Governance Committee (October/15) for consideration to City Council.

RECOMMENDATION

1. That the Governance Committee receive the report CAO-A-1505 including attachments.
2. That report CAO-A-1505 and the feedback of the Governance Committee be referred to the next meeting of the Audit Committee for their input.
3. That following the input from Audit Committee, a further staff report with proposed amendments by staff, be referred back to Governance Committee for final recommendation to City Council.

BACKGROUND

Guelph City Council established its internal audit function in July 2012. Its role is to provide a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, controls, policies and processes.

An *Internal Audit Charter* was created that defined the mandate, scope, authority, independence, responsibility and reporting structure of the function. The *Internal Audit Charter* is to be reviewed at least once during each term of Council.

STAFF REPORT



Since 2012, the Internal Auditor has reported functionally to the Audit Committee.

On May 26, 2014 Council passed the following resolution to temporarily change the reporting structure of the internal audit function:

GOV-2014.10 Internal Audit

- 1. That the City of Guelph Internal Auditor report to the Committee of the Whole for the remainder of the 2010-2014 Council term; and*
- 2. That the Governance Committee review the reporting relationship for the Internal Auditor on an on-going basis commencing with the next term of Council.*

In response to this resolution, a report (CAO-A-1502) was brought forward to Governance Committee on March 3, 2015 by the CAO and the recommendations in this report were:

- 1. That internal audits will be reported through to the Audit Committee;*

And;

- 2. That management continue to refine the processes and terms for functional and administrative reporting by the internal audit function and report back on any recommended amendments to the Internal Audit Charter, in 2015, to the Governance Committee.*

This report addresses the recommendation 2 of the report CAO-A-1502 noted above.

REPORT

The internal audit function is in its 3rd year of operation at the Corporation of the City of Guelph. As we gain a greater understanding of the role of the function, it is evident that there remain questions relating to reporting responsibilities and mandate that need to be answered. This report will aim to clarify and address the majority of these questions.

The highlights of the changes that are reflected in the revised *Internal Audit Charter* (hereinafter referred to as "the Charter") are addressed below:

1. Functional Reporting: Accountability and Reporting Relationships

One of the key principles that govern internal auditing is independence. As such, the internal audit reporting structure attempts to provide as much independence as practically possible for the conduct of the work of the Internal Auditor.

STAFF REPORT



a) Clarity regarding the functional report to the Chief Administrative Officer

The original Charter states that the Internal Auditor reports functionally to the Audit Committee and only administratively to the Chief Administrative Officer. In practice however, the Internal Auditor has reported both functionally and administratively to the Chief Administrative Officer, in addition to reporting functionally to the Audit Committee.

(Note: Functional reporting in this context does not mean that the Internal Auditor is directed by the Chief Administrative Officer and/or Executive Team to conduct or not conduct an audit, report, amend or not report findings if he/she has deemed reporting is necessary considering the overall risk to the Corporation.)

The Chief Administrative Officer is responsible for overseeing the Internal Auditor's performance based upon the Performance Development Plan (PDP). This requires both administrative and some functional oversight of the Internal Auditor related to his/her Work Plan, resourcing, professional standards and his/her skills and ability to achieve goals and objectives.

The actions noted below constitute functional reporting by the Internal Auditor to the Chief Administrative Officer and the Executive Team that is currently in place and has been in place in the Corporation since the inception of the Internal Audit Department.

1. discuss a draft Work Plan to ascertain if there are organizational or operational constraints;
2. incorporate concerns and suggestions, if deemed valid, into scope and timing of audits planned;
3. discuss draft reports to substantiate factual information and reasonableness of recommendations;
4. incorporate suggested amendments or changes where the Internal Auditor deems that a suggested change would result in fairer and more accurate reporting.
5. report if an audit needs to be delayed or postponed due to receipt of ad hoc requests or other circumstances as this delay may have operational impact on the Corporation and impact the completion of the Audit Work Plan.

In the revised Charter, sections now contain detailed and clearer outline of the functional and administrative role of the Chief Administrative Officer and/or Executive Team, namely:

- Sections 8: Independence;
- Section 9: Accounting & Reporting Relationship;
- Section 10: Work Plan; and
- Section 11: Audit Reports.

STAFF REPORT

b) Clarity Regarding the functional report to the Audit Committee

In the original Internal Auditor Charter and continuing forward, the Audit Committee provides the Internal Auditor with organizational independence that is critical to ensuring that internal audit activity is free from management interference in determining the scope of audit projects, performing work and communicating results.

(Note: Functional reporting to the Audit Committee does not mean that the Internal Auditor is directed by the Audit Committee to conduct or not conduct an audit, report, amend or not report findings if the Internal Auditor has deemed reporting is necessary considering the risk to the organization.)

In addition, further functional responsibilities of the Audit Committee towards the internal audit function include:

1. ensuring that the Internal Auditor has direct reporting access to the Chair of the Audit Committee;
2. reviewing and approving changes to the purpose, authority and responsibilities of the internal audit activity, formally defined in the Internal Audit Charter;
3. reviewing the Audit Work Plan for the current year and audits planned for the two subsequent years; and
4. receiving all audit reports and findings brought forward by the Internal Auditor and direct questions to the Internal Auditor relating to the extent of work done and rationale for recommendations made in a given report.

One of the functional responsibilities noted above is the review of the Audit Work Plan by the Audit Committee. In the past 3 years, Audit Committee members and Councillors have suggested projects be added to the Audit Work Plan at different times.

Going forward, the Internal Audit Charter (see revised Section 10) proposes a more formal approach with specific action by the Internal Auditor to solicit input from all Councillors prior to risk prioritizing projects for inclusion in the Internal Audit Work Plan. Input would also be requested of the Chief Administrative Officer and the Executive Team as well as other senior management at the City. This action would ensure that all interested parties have an opportunity to contribute potential projects for risk prioritization conducted by the Internal Auditor and for the audit Work Plan to be finalized in a timely and efficient manner. Going forward, the Work Plan would also identify potential projects for consideration in subsequent years.

Further sections now contain detailed information on the interaction with the Audit Committee specifically Section 8: Independence, Section 9: Accountability and Reporting Relationship; Section 11: Audit Reports and Section 15: Amendments to the Internal Audit Charter.

2. Administrative Reporting: Accountability and Reporting Relationships

The Internal Auditor obtains assurance of adequate resources to support the audit function by reporting administratively to the Chief Administrative Officer.

The Internal Auditor's annual performance evaluation is conducted by the Chief Administrative Officer with input from the Executive Team and the Audit Committee.

The hiring and termination of the Internal Auditor as well as any disciplinary action considered necessary is done by the Chief Administrative Officer after consulting with the Executive Team and the Chair of Audit Committee. Other administrative functions performed by the Chief Administrative Officer also include, but is not limited to, the approval of the requests for vacation, sick leave, payment of professional fees and training expenses submitted by the Internal Auditor.

The revised Charter, Section 9: Accountability and Reporting Relationships now details the administrative reporting to the Chief Administrative Officer.

CORPORATE STRATEGIC PLAN

1.3 Organizational Excellence: Build robust systems, structures and frameworks aligned to strategy

2.3 Innovation in Local Government: Ensure accountability, transparency and engagement.

FINANCIAL IMPLICATIONS

There are no financial implications associated with the revision of the Internal Auditor Department Charter

DEPARTMENTAL CONSULTATION

Internal Audit
Executive Team

COMMUNICATIONS

N/A

ATTACHMENTS

ATT-1 Internal Audit Charter
ATT-2 Internal Audit Reporting Structure Graphic
ATT-3 Internal Audit Work Plan Process Flow

STAFF REPORT



Report Author: Ruvani Shaubel, Internal Auditor

A handwritten signature in cursive script that reads "R. Shaubel".

Recommended By

Ruvani Shaubel
Internal Auditor
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A handwritten signature in cursive script that reads "Ann Pappert".

Approved By

Ann Pappert
Chief Administrative Officer
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CITY OF GUELPH
Chief Administrator's Office

INTERNAL AUDIT DEPARTMENT CHARTER

1. OBJECTIVE OF CHARTER

To provide a broad framework to guide the operations of the Internal Audit Department, including its overall mandate, services it will provide, and the professional standards and values it will adhere to in conducting internal audit activities.

2. DEFINITION OF INTERNAL AUDITING

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

3. MANDATE

The Internal Audit Department was first established at the City of Guelph at the beginning of 2012 upon approval of funding within the City's 2012 budget. The mandate of the Department is to assist senior management meet their responsibilities to maintain proper systems of internal controls, identify and evaluate significant risk exposures and strengthen risk management throughout the City. This is accomplished by providing independent, objective assurance and consulting services designed to add value to and improve the City of Guelph's operations. Internal Audit uses a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4. SERVICES OFFERED

- Assurance services including the conduct of compliance, operational, financial, forensic, value for money and internal control audits;
- Business and risk assessment;
- Information sessions on Internal Audit services re Enterprise Risk Management; ongoing monitoring and reporting to senior management of the City's risk status and mitigation plans; and
- Special investigations.

5. AUTHORITY/EXPECTATIONS

The Internal Auditor is granted full, free and unrestricted access to any and all records, property and personnel relevant to any function under review. This access is provided under *The Protection of Privacy Act – Municipal Freedom of Information* (in particular, Sections 31(c) and 32(d)). All employees shall assist the Internal Auditor in fulfilling his/her objectives.

The Internal Auditor has the authority to conduct audits and reviews of all City departments, local boards including Downtown Guelph Business Association, the Elliott Community, Guelph Police Services and the Guelph Public Library, as well as other entities the City is related to or has an interest in.

To facilitate the conduct of internal audit activities, City of Guelph staff is expected to be:

- Co-operative and professional in their dealings with Internal Audit staff;
- Transparent in terms of providing accurate and complete information requested;

INTERNAL AUDIT DEPARTMENT CHARTER

- Open in their communication;
- Proactive in identifying problems and requesting assistance; and
- Responsive to information requests and address issues brought forward.

6. VALUES AND PRINCIPLES

In carrying out assurance and consulting activities, Internal Audit values and promotes:

- Integrity
- Professionalism
- Objectivity
- Transparency
- Ethical behaviour
- Accountability
- Fiscal Responsibility
- Continuous Improvement

7. PROFESSIONAL STANDARDS

In planning and conducting audit activities and reporting results, the Internal Auditor is required to:

- Comply with standards for the professional practice of Internal auditing as set out by the Institute of Internal Auditors
- Comply with standards and ethics of staff's own professional bodies of certification where applicable
- Comply with internal standards and procedures typically set out in an Internal Audit Manual and that adhere to guidelines provided by the Institute of Internal Auditors.

8. INDEPENDENCE

To provide organizational independence, the Internal Auditor reports functionally and administratively to the CAO and Executive Committee (the Team) and functionally to the Audit Committee. This relationship is further detailed in Section 9 below.

The Internal Auditor has unrestricted access to the Chair of the Audit Committee to whom all significant concerns relating to the adequacy and effectiveness of risk management, internal control and governance activities may be reported.

All Internal audit activities shall remain free of influence by any element of the organization (executive and senior management, Audit Committee and Council) to allow an independent and objective mental attitude necessary in rendering reports.

Internal Auditors shall have no direct operational responsibility or authority over any of the activities they review. As such, they shall not be involved in:

- Conducting service reviews, service rationalization reviews and making related recommendations;
- Developing or installing systems or procedures;
- Preparing records;
- Implementing recommendations made by Internal Audit; or
- Engaging in any other activity which would normally be audited.

INTERNAL AUDIT DEPARTMENT CHARTER

9. ACCOUNTABILITY AND REPORTING RELATIONSHIPS

The Internal Auditor in the discharge of his/her duties shall be accountable to the CAO and Executive Team (the Team) and to the Audit Committee of Council to:

- Report significant issues related to the adequacy and effectiveness of the City's processes for controlling its activities and managing its risks, including recommendations for improvements to those processes and managements' response for implementing corrective action.
- Annually provide information on the status of the annual audit plan, performance against benchmarks and the sufficiency of Internal Audit resources.

To provide for organizational independence, the Internal Auditor at the City of Guelph reports functionally to the Audit Committee of Council and both functionally and administratively to the Team. These separate reporting relationships help ensure independence, promote comprehensive audit objectivity and coverage, take operational constraints into consideration and assure adequate consideration and implementation of audit recommendations.

Functional reporting to the Audit Committee means that:

- the Internal Auditor has direct reporting access to the Chair of the Audit Committee;
- the Committee is responsible to review changes to the purpose, authority and responsibilities of the internal audit activity, formally defined in the Internal Audit Department Charter;
- the Committee is responsible to review the Audit Work plan and forward it to Council for approval;
- the Committee provides organizational independence for the Internal Auditor to ensure that the internal audit activity is free from management interference in determining the scope of internal auditing, performing work and communicating results; and
- The Committee receives audit reports and findings brought forward by the Internal Auditor and may direct questions to the Internal Auditor relating to the extent of work done and rationale for recommendations in a given report.

Functional reporting to the Team means that:

- the Internal Auditor has direct reporting access to the Team;
- the Internal Auditor discusses the draft Audit Work plan with the Team giving consideration to operational constraints and risks identified in finalizing the work plan;
- the Internal Auditor discusses any changes to the Audit Work plan brought about by unexpected circumstances and ad hoc requests with the Team on a timely basis;
- the Team receives all audit reports and findings brought forward by the Internal Auditor and may direct questions to the Internal Auditor relating to the extent of work done and rationale for recommendations in a given report.
- the Internal Auditor is provided with the necessary authority to perform assurance engagements at the City and expect issues identified to be resolved by City staff.

Administrative reporting to the Chief Administrative Officer means that:

- As an employee of the City of Guelph, the Internal Auditor's annual performance evaluation (PDP) is conducted by the CAO with input from the Executive Team and the Audit Committee;
- The Internal Audit Department's budget needs are discussed and the budget proposal approved by the CAO;

INTERNAL AUDIT DEPARTMENT CHARTER

- The Internal Auditor's requests for time off, or expenses submitted is approved by the CAO;
- As employment matters including the hiring, discipline and potential termination of employees reside with the CAO as per the CAO Bylaw, the CAO will make related decisions pertaining to the Internal Auditor after consulting with the Executive Team and the Chair of the Audit Committee.

10. INTERNAL AUDIT WORK PLAN

Internal Audit's primary responsibility is to assist senior management meet their responsibility to maintain proper systems of internal controls, identify and evaluate significant risk exposures and strengthen risk management throughout the City. This responsibility is considered when the Internal Auditor drafts the Audit Work plan.

Approximately 6-8 weeks prior to formulating the Work Plan, the Internal Auditor will send out separate e-mails to members of the Audit Committee and Councillors including the Mayor as well as to Senior Management at the City requesting work plan ideas. The projects are prioritized using Institute of Internal Auditor endorsed risk based methodology and the current year work plan is drafted along with projects planned for the next two years.

The Work plan will include the projects by title, a brief description of the approach/scope, information on the time requirement expected to complete the project and the year in which it will be undertaken.

A draft Work plan is brought forward to the Team to discuss timing and scope of projects selected and operational constraints that may impact timing. The Work Plan takes into consideration the availability of internal audit resources to complete the plan and allows for possible ad hoc requests that require completion on short notice.

The draft Work plan is also reviewed by the CAO to ensure it is achievable and reasonable in order to fulfill his/her administrative responsibilities in conducting the PDP of the Internal Auditor.

The Internal Audit Work plan is then presented to Audit Committee. If during their review a further project is suggested by motion, the Internal Auditor would take the request under advisement and report back to the Committee on what action if any can be taken giving consideration to the risk involved, comparison of risk to other projects on the plan and resource availability.

[Note: If a project cannot be accommodated within the Work plan, the Committee may refer the project to the CAO for resolution].

The Work plan is submitted to Council for their approval.

11. AUDIT REPORTS

The findings, conclusions and recommendations resulting from the work conducted by the Internal Auditor will be first discussed with the appropriate client personnel and their comments taken into consideration prior to issuing a draft report.

The draft report will be issued to the appropriate department head, Deputy CAO, and in matters that impact on the whole Corporation, the CAO, and staff comments incorporated as appropriate prior to the report to management being finalized.

INTERNAL AUDIT DEPARTMENT CHARTER

A final report will be issued to the Audit Committee itemizing findings, conclusions, recommendations and management response.

12. MANAGEMENT RESPONSES TO AUDIT REPORTS

- Management responses will be incorporated into Internal Audit reports whenever possible.
- If the management response is not included with the report, a response will be provided to Committee within 30 days of the issuance of the audit report.
- Management response should include a timetable for anticipated completion of the recommended action and an explanation for any corrective action that will not be implemented.
- If management responses and status reports are to be provided separately to Committee, the Internal Auditor should be informed and provided a copy of the report for review prior to the report being released in the public agenda.

13. FOLLOW UP AUDIT REPORTS

The Internal Auditor will be responsible for appropriate follow up on audit recommendations to determine the nature and extent of action taken by management on recommendations made and will report the results of this follow up.

14. PERFORMANCE MEASURES



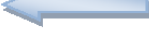
- Percentage of Internal Audit Recommendations Implemented
- Client Satisfaction Rate*
- Number of Audits Completed

* The Department is in the process of formulating a client satisfaction survey to be sent out to clients serviced starting in the 3rd quarter of 2015. These surveys cover client assessments of the value added by services provided, client satisfaction with services and the degree to which client expectations were met by the audit services provided.

15. AMENDMENT OF CHARTER

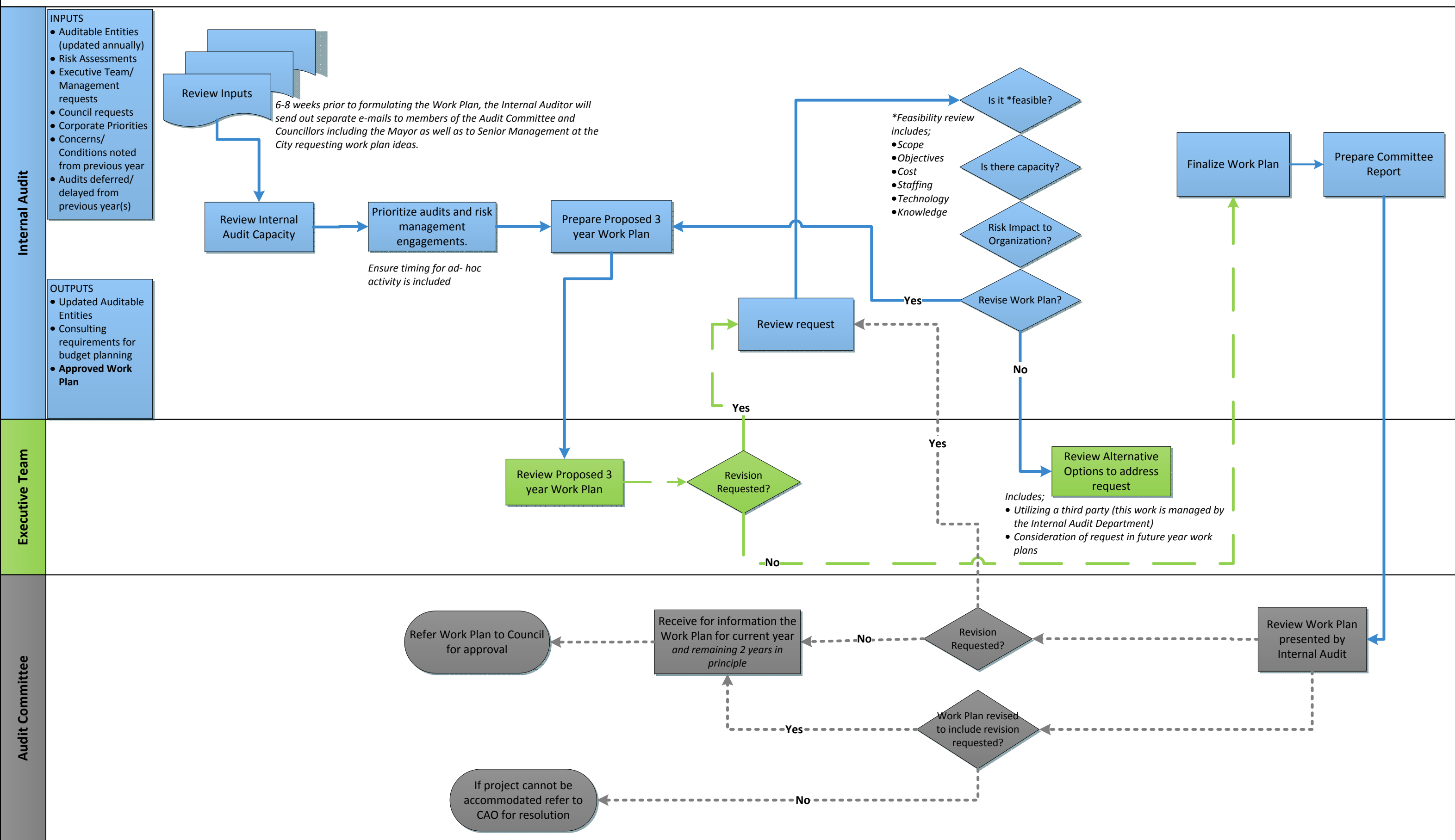
The Internal Auditor will be responsible for regular review of the Internal Audit Charter. Amendments to the Charter are subject to the approval of the Team and the Audit Committee with recommendation to City Council.

FUNCTIONAL and ADMINISTRATIVE REPORTING

 Arrow indicates service, support, input, activity provided to and for the function directionally indicated





Internal Audit Work Plan Development and Approval Process Flow



STAFF REPORT



TO Governance Committee

SERVICE AREA City Clerk's Office, Corporate Services

DATE October 6, 2015

**SUBJECT Bill 8 Overview and Status of
Integrity Commissioner and Ombudsman Positions**

REPORT NUMBER CS-2015-92

EXECUTIVE SUMMARY

PURPOSE OF REPORT

To provide an overview of the impacts of Bill 8 and the status of the Integrity Commissioner and Ombudsman positions

KEY FINDINGS

Staff, through consultation with area municipalities, have determined that a joint appointment of a Municipal Ombudsman is an optimal solution given that it is both cost-effective and allows for the application of a local lens in carrying the work required of an Ombudsman.

An RFP is required to continue the appointment of a City Integrity Commissioner given that the previous contract for the services of an Integrity Commissioner expire on December 31, 2015. The appointment of an Integrity Commissioner is critical to the fair and independent enforcement of Council's Code of Conduct.

FINANCIAL IMPLICATIONS

Costs for the Integrity Commissioner and the Ombudsman will be determined once a request for proposal is accepted.

An \$8,000 budget is being proposed for the Integrity Commissioner in 2016 to cover a \$5,000 retainer fee and any costs associated with the presentation of the annual report or the processing of complaints or requests for advice.

If Council determines not to appoint an Ombudsman, there will be no costs to the City as the position will default to the Ontario Ombudsman. Should Council choose to appoint a joint Ombudsman, it is estimated that an initial budget allocation of \$12,000 would be required for 2016.

ACTION REQUIRED

Governance committee to approve and recommend approval to Council.

STAFF REPORT

RECOMMENDATION

1. a) That staff be directed to proceed with the issuance of an RFP for the purpose of retaining an Integrity Commissioner, pursuant to the accountability and transparency provisions of the *Municipal Act*; and,
b) That a by-law be brought forward to Council for the appointment of same.
2. a) That staff be directed to work with area municipalities in the issuance of a joint RFP for the purpose of retaining a joint Ombudsman pursuant to the accountability and transparency provisions of the *Municipal Act*; and,
b) That a by-law be brought forward to Council for the appointment of same; and,
c) That the costs of an Ombudsman's services be referred to the 2016 budget process.
3. That staff report back to a subsequent Governance committee meeting on the details of an internal complaint resolution procedure.

BACKGROUND

The current accountability and transparency provisions of the *Municipal Act* speak to four positions which may be appointed by municipal Councils.

Of these positions, Municipalities may appoint an Integrity Commissioner pursuant to subsection 223.3(1) to investigate complaints respecting breaches of the Code of Conduct or any other policy relating to ethical behaviour of members of council and its local boards. In 2010, Council appointed an Integrity Commissioner whose contract ceases at the end of December 2015. Staff is proposing that a Request for Proposals be issued in Q4 of 2015 to secure the services of an Integrity Commissioner with a start date of January 2016.

Subsection 223.11(1) of the *Municipal Act* allows municipalities to appoint a Lobbyist Registrar to administer a lobbyist registry and conduct inquiries pertaining to same. This position is optional and with the exception of three Ontario municipalities, most municipalities in the province do not maintain a Lobbyist Registrar.

The Ombudsman position is another of the four accountability positions permitted under Section 223.13 of the *Municipal Act*. In January 2016, Bill 8 requires that the Ontario Ombudsman will be the default for municipalities who do not appoint their own.

STAFF REPORT

Section 223.19 (1) of the *Municipal Act* allows a municipality to appoint an Auditor General who reports to Council and is responsible for assisting the council in holding itself and its administrators accountable for the quality of stewardship over public funds and for achievement of value for money in municipal operations. Although the City of Guelph does not have an Auditor General it does have an Audit Committee and an Internal Auditor, which perform similar functions.

REPORT

Integrity Commissioner

Staff is proposing that a Request for Proposals be issued in Q4 of 2015 to secure the services of an Integrity Commissioner with a start date of January 2016. The appointment of an Integrity Commissioner is critical to the fair and independent enforcement of Council's Code of Conduct. Without an Integrity Commissioner appointed, Council's current Code of Conduct has no mechanism for addressing complaints with respect to the Code of Conduct.

The Integrity Commissioner tendering process will address two Council requests stemming from motions made in October and December 2013. As such, the Integrity Commissioner RFP will include a charter detailing the Integrity Commissioner's responsibilities and will include an annual performance appraisal process.

Ombudsman

Bill 8 which will come into effect January 1, 2016, further expands the authority of the Provincial Ombudsman and provides that the Provincial Ombudsman becomes the default Ombudsman should a municipality not appoint its own Ombudsman.

Bill 8 directly establishes the following changes pertaining to the Ombudsman position:

1. The Provincial Ombudsman is now the established default Municipal Ombudsman.
2. The Provincial Ombudsman may investigate even if there is a Municipal Ombudsman appointed; however, only after local processes are completed.
3. Questions of jurisdiction between the Provincial and Municipal Ombudsman are to be resolved by application to the Divisional Court.

The City has three options regarding the appointment of an Ombudsman:

1. Default to the Provincial Ombudsman and not appoint a Municipal Ombudsman.
2. Appoint a Municipal Ombudsman for the City of Guelph.
3. Jointly appoint an Ombudsman and share the services with other municipalities.

STAFF REPORT

Option 1

The City could use the default Provincial Ombudsman that would have no financial impact at this time given that there is currently no cost for the use of the Provincial Ombudsman's services. The City would have no input into the qualifications or hiring of the Ombudsman and no control over the investigative process. Furthermore, the Provincial Ombudsman could potentially lack a local lens towards dispute resolution for the City of Guelph.

Option 2

The City hires its own Ombudsman which would enable the City to determine the qualifications and expertise believed to be important for this position. It would also allow for the City to provide input into a complaint and investigation process that would be in compliance with provincial legislation and meet the City's requirements. The financial implications are not yet known, but may be in the range of costs similar to those that were submitted the services of the City's Integrity Commissioner.

Option 3

The City hires a joint Ombudsman with area municipalities. This may help mitigate costs through the sharing of the overall cost for retainers and other common administrative costs. A joint appointment would also allow the City to provide input into the process and qualifications desired. The City is working collectively with the municipalities within the Region of Waterloo to explore this option. The financial impacts are not known at this time, but may be less than Option 2 as there would be opportunities for economies of scale.

Summary and Recommendation

The City Clerk has had preliminary discussions with the Waterloo Area Clerks Group regarding Bill 8 regarding the appointment of the Ombudsman and is recommending Option 3.

Although the mandate of the Provincial Ombudsman is quite broad, a municipal Ombudsman could focus on local issues and address them within the local context. A Municipal Ombudsman could mitigate the need for the involvement of the Provincial Ombudsman in some instances which would likely lead to resolving complaints in a more timely fashion.

A fulsome complaint process will be established. This will be crucial for the City of Guelph in order to ensure a tiered approach to responding to complaints. The process will be designed to include a standardized complaint form, mechanisms to proceed with an investigation at the Service Area or departmental level and resolution of the complaint that could mitigate the need for an Ombudsman to spend time on complaints that could be easily resolved at a staff level. It is proposed that a report detailing the internal complaint resolution process be forthcoming to a subsequent Governance committee for approval.

STAFF REPORT

A complainant not satisfied with the conclusions of the internal complaint process, may then file their complaint with the City's Ombudsman. Once this process is completed and the complainant is not in agreement with the results, they may also bring the complaint forward to the Ontario Ombudsman.

CORPORATE STRATEGIC PLAN

This report complies with the new legislation and supports strategic direction 2.3: Ensure accountability, transparency and engagement.

DEPARTMENTAL CONSULTATION

The Executive Team was consulted on the details of this report.

COMMUNICATIONS

Once a program is established for the complaint procedure, it will be rolled out to the public through various mediums in consultation with the Corporate Communications and Customer Service department.

Report Author

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Deputy City Clerk



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Recommended By
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STAFF REPORT



TO Governance Committee

SERVICE AREA City Clerk's Office, Corporate Services

DATE October 6, 2015

SUBJECT *Municipal Act and Municipal Conflict of Interest Act Review, Consultation and Comments.*

REPORT NUMBER CS-2015-95

EXECUTIVE SUMMARY

PURPOSE OF REPORT

To bring forward a final draft response to the Province's request for input into the *Municipal Act* and *Municipal Conflict of Interest Act* consultation. The deadline to provide comments to the Ministry of Municipal Affairs and Housing on this review is October 31, 2015.

KEY FINDINGS

The province released a discussion guide for the 2015 review of the *Municipal Act*, the *City of Toronto Act* and the *Municipal Conflict of Interest Act* on June 5, 2015 to help focus discussion and comments from stakeholders. Staff reviewed this guide in July and presented Council with an opportunity to submit individual comments in August.

The Ministry identified key themes for their focus. These included: Accountability and Transparency; Municipal Financial Sustainability; and, Responsive and Flexible Municipal Government. Within each of these themes, staff has suggested offering commentary and feedback based upon increased *flexibility* for municipalities, requirements for additional *clarity* and, finally, *modernization* of the legislation.

FINANCIAL IMPLICATIONS

None

ACTION REQUIRED

Committee and Council to endorse the response prepared by staff which incorporates Council's individual commentary, as attached, regarding the 2015 consultation on the review of the *Municipal Act*, the *City of Toronto Act* and the *Municipal Conflict of Interest Act* and direct staff to submit the endorsed response to the Ministry of Municipal Affairs and Housing in advance of the October 31, 2015 deadline.

STAFF REPORT

RECOMMENDATION

1. That Report GOV-2015-95 entitled "*Municipal Act and Municipal Conflict of Interest Act Review, Consultation and Comments*" dated October 6, 2015 regarding the 2015 Ontario municipal legislative review be received.
2. That the response included as Attachment 1 be endorsed and that staff be directed to submit to the Ministry of Municipal Affairs and Housing by the October 31, 2015 deadline.

BACKGROUND

On June 5, 2015 the Ministry of Municipal Affairs and Housing launched a public consultation to guide their review of the *Municipal Act*, the *City of Toronto Act* and the *Municipal Conflict of Interest Act* (MCIA). The goal of this review, as stated by the Ministry, is to ensure that municipalities across the province have the tools, powers and flexibility they need to effectively serve their communities.

The *Municipal Act* and the *City of Toronto Act* are reviewed every five years as a requirement under law and with the intent of ensuring they are responsive to changing circumstances and new challenges. This year, the Government of Ontario is also reviewing the MCIA at the same time. These three pieces of legislation ultimately set out the rules, responsibilities and powers of Ontario's municipalities, as well as the conflict of interest rules for municipal councils and local boards.

The Ministry has established three main themes that will guide the review. These themes are: Accountability and Transparency; Municipal Financial Sustainability; and, Responsive and Flexible Municipal Government.

A deadline for submission of comments and feedback to the Ministry has been set as October 31, 2015.

REPORT

The City of Guelph's submission has seen considerable review by staff and direct input from Council. The result is a robust commentary with a focus on the key themes identified and as noted above. Within each of these themes, the City of Guelph is offering commentary and feedback based upon increased *flexibility* for municipalities, requirements for additional *clarity* and, finally, *modernization* of the legislation.

The City of Guelph's response addresses the following topics and provides commentary with respect to each of the themes identified by the Ministry:

Accountability and Transparency

- Codes of conduct
- Integrity and accountability officers
- Conflicts of interest
- Open meetings

STAFF REPORT

Municipal Financial Sustainability

- Planning and prioritizing investments in infrastructure
- Changes to financial tools to contribute to municipal financial sustainability

Responsive and Flexible Municipal Government

- Delegation of authority

Full details of the City's commentary and feedback are included in Attachment 1.

CORPORATE STRATEGIC PLAN

The response to the Ministry of Municipal Affairs and Housing's call for comments and feedback on the *Municipal Act* and *Municipal Conflict of Interest Act* addresses all three of the Corporate Strategic Plan strategic directions outlined under the "Innovation in Local Government" Strategic Focus Areas. These directions are:

- 2.1 - Build an adaptive environment for government innovation to ensure fiscal and service sustainability.
- 2.2 - Deliver public services better.
- 2.3 - Ensure accountability, transparency and engagement.

DEPARTMENTAL CONSULTATION

Office of the Chief Administrative Officer
Legal Services
Finance

FINANCIAL IMPLICATIONS

None

COMMUNICATIONS

The attached response to the Ministry's call for feedback will be submitted to the Ministry by the October 31, 2015 deadline.

ATTACHMENTS

ATT-1 Response re: *Municipal Act* and *Municipal Conflict of Interest Act* Review

Stephen O'Brien
Report Author



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October 27, 2015

Municipal Legislation Review
Ministry of Municipal Affairs and Housing
Local Government Policy Branch
777 Bay Street, 13th Floor
Toronto, ON
M5G 2E5

Municipal Legislation Review Team,

RE: *Municipal Act and Municipal Conflict of Interest Act Review*

Further to the correspondence received from Minister McMeekin on June 5, 2015 and in relation to the Government of Ontario's consultation on the *Municipal Act* and the *Municipal Conflict of Interest Act*, please find attached the City of Guelph's comments and feedback.

The City of Guelph looks forward to the results of this consultation and to modernizations in Ontario's regulatory framework as it relates to the municipal sector.

Sincerely,

Stephen O'Brien, City Clerk
Office of the City Clerk, **Corporate Services**

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E **stephen.obrien@guelph.ca**

C: Mayor Guthrie and Guelph City Council
Ann Pappert, Chief Administrative Officer
Barb Swartzentruber, Executive Director - Intergovernmental Relations, Policy and Open Government

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Introduction

The City of Guelph welcomes the opportunity to provide commentary and feedback to the Government of Ontario in regards to the consultation on legislative changes to the *Municipal Act* and the *Municipal Conflict of Interest Act*. The commentary contained within is limited to these two pieces of legislation and does not consider the *Municipal Elections Act* or the *City of Toronto Act*.

Since the last round of changes to Ontario's *Municipal Act*, launched in 2004 and concluding in 2007, and to the *Municipal Conflict of Interest Act*, last amended in 1983, municipalities in Ontario have experienced changes in their operating environment. These changes are as a result of technological and sociological factors along with the changing expectations the public has for government writ large. Municipalities are central to the lives of Ontarians and contribute to the sustainability of good government in Ontario. Municipalities are leaders in the areas of democracy, openness and transparency. As such, this review is timely and welcomed given that this legislation is part of the framework which supports such important aspects of local government.

The focus of the City of Guelph's submission has seen considerable review by staff and direct input from Council. The result is a robust commentary with a focus on the key themes identified by the Ministry of Municipal Affairs and Housing (Accountability and Transparency; Municipal Financial Sustainability; and, Responsive and Flexible Municipal Government). Within each of these themes, the City of Guelph is offering commentary and feedback based upon increased *flexibility* for municipalities, requirements for additional *clarity* and, finally, *modernization* of the legislation.

Accountability and Transparency

Codes of Conduct

The City of Guelph has in place a Council Code of Conduct and has appointed an Integrity Commissioner. This framework is important to demonstrating the accountability and transparency of the municipal level of government. As such, the City of Guelph believes that municipalities in Ontario should be required to implement Council Codes of Conduct. The appointment of Integrity Commissioners should remain optional in order to allow for flexibility in implementation.

Furthermore and in direct response to a question posed in the discussion guide, there should be a greater range of penalties for violating a code of conduct. This would allow for the leveling of a penalty that is in line with the range of violations that can occur. Finally, consideration should be given to the potential of a third party to act as an arbiter in cases of violations of a code of conduct. To have Councils sit in judgement of a peer

in relation to a violation of the code of conduct can be an awkward and, at times, conflict ridden process.

Integrity and Accountability Officers

In consideration of existing municipal frameworks/structures and with the adoption of Bill 8, the legislative framework in Ontario allows for municipalities to be leaders in the area of accountability and transparency. Furthermore, the flexibility currently included within the Municipal Act allows for a tiered approach to the appointment accountability officers in a way that is mindful of the variations in financial capacity of Ontario's municipalities.

Conflicts of Interest

The *Municipal Conflict of Interest Act* (MCIA), by nature of the length of time since its last amendment, will require significant changes. Most notably, the legislation should be revised to include siblings as part of the definition of a relationship. Similar to the range of penalties relating to codes of conduct and as noted above, the penalties associated with violations to the MCIA should also afford to the courts a range of penalties. Recent case law has shown that the judicial system has struggled to enforce this legislation when considering the variances in individual cases. Finally and from a more practical standpoint, the MCIA should require that a member leave the meeting room when declaring a possible interest regardless of whether the meeting is a closed or open session. Doing so would ensure that the member is not influencing the proceedings in relation to the matter under which a conflict was declared.

Open Meetings

Technological advances have provided for drastic improvements in the Council meeting process. This includes streaming of meetings, display of voting records and enhanced public presentation and delegation systems. Despite these advances and the capacities that currently exist, it is not recommended that the *Municipal Act* be amended to permit members to join meeting via video teleconference. This would be unwieldy from an administrative standpoint and the public should be permitted to observe the decision making process in person.

Related to the meeting process, recorded votes should not be permitted after a vote is already taken. Currently the *Municipal Act* permits for the calling of a recorded vote before or after a vote has occurred and this can be confusing for the public and lead to inconsistencies.

Clarity needs to be included in the legislation as it relates to exemptions to open meetings and the ability of Council's to meet in closed on matters. Specifically, clarity or

a definition of what is included in “security of the property of the municipality” would be welcomed. The vagueness of this clause leads to varying implementations of this clause where some municipalities define this more broadly than others.

Finally, additional clarity in regards to what constitutes a meeting of Council is required. Various closed meeting investigations across the province have led to varying interpretations of what constitutes a meeting and the current definition of meeting contained within the *Municipal Act* is broad. Clarity should be added in order to define whether a quorum of members at any function constitutes a meeting. Although it is understood that a quorum of members who are generally advancing the business of a municipality is deemed to be a meeting, this is not explicit in the legislation and such clarity would be beneficial. Furthermore, technological advancements have further complicated the transaction of municipal business outside of the confines of more traditional meetings. As such, modernization of such sections (s. 238, s. 239, s. 239.1, s. 239.2) of the legislation is required.

Municipal Financial Sustainability

With respect to the questions posed in the Ministry’s Discussion Guide relating to planning and prioritizing investments in infrastructure and to the tools required for financial sustainability, there are numerous areas requiring increased flexibility, clarity and modernization. Generally, there are significant pressures that present challenges with respect to municipal financial sustainability. These include:

- Balancing affordability with rising costs;
- Maintaining existing service levels;
- Collective agreements;
- Emergency service arbitration awards; and,
- Aging infrastructure

Planning and Prioritizing Investments in Infrastructure

Within the *Municipal Act* and in other legislation, the term “local board” has numerous meanings. Clarity is required in order to ensure there is an understanding of what constitutes a local board. Initially, the term “local board” is defined broadly but then when used elsewhere, specific local boards are excluded. Suggestions in relation to ways in which clarity can be enhanced include added definitions to apply to boards over which municipalities have control or an increase in municipal authority over those excluded boards.

In regards to providing additional flexibility/modernization and for the ability of municipalities to plan and prioritize investments in infrastructure, section 106 of the *Municipal Act* requires updating for two key reasons. First, the undefined term “bonus”

should be replaced. Second, municipalities need more flexibility in ways to achieve their goals, especially those related to infrastructure, in cooperation with the private sector.

Changes to Financial Tools to Contribute to Municipal Financial Sustainability

With respect to financial tools, section 110 (municipal capital facilities) requires additional clarity. This section is ambiguous and would benefit from improved clarity through enhanced definitions. That being said, it will be important for the government to consider how municipalities have been applying this section in actual practice in order to ensure that definitions remain flexible enough to ensure future applicability for municipalities.

Furthermore and related to tools that could contribute to increased municipal financial sustainability, paragraph 1(a) of O. Reg. 584/06 requires clarity as it is currently ambiguous. Is it intended to prevent any fees or charges against the Crown? Or is it intended to prevent fees and charges that apply only to the Crown? Is a municipality permitted to apply a fee/charge against a class of persons that includes both the Crown and also non-Crown persons? A municipality ought to be able to charge the same fee to everyone who uses the same service.

Related to the regulations made under the *Municipal Act*, section 8 of O. Reg. 586/06 requires clarity given that it is not apparent whether or not a municipality is able proceed with a local improvement without applying to the Ontario Municipal Board. The regulation is ambiguous by being permissive and as such, it is recommended that section 8 be repealed.

In regards to providing additional flexibility in relation to financial tools, subsection 40(2) of the *Municipal Act* prevents municipalities from creating toll highways which further prevents allocation of costs to those who benefit from such infrastructure projects. Added authority in this regard would be welcomed. Furthermore and somewhat related, section 391 should be amended to permit, explicitly, fees and charges that produce a profit (i.e. that exceed the costs of providing the goods or services for which the fees and charges are levied).

In keeping with the theme of flexibility, subsection 391(5) of the *Municipal Act* directly conflicts with subsection 58(1) of the *Education Act*. Although not directly under consideration in the context of this review, as a corollary subsection 58(1) of the *Education Act* should be repealed to give municipalities the power to collect fees and charges from all parties who use municipal services.

The matter of “heads and beds” considerations are also of importance in order to address long term municipal financial sustainability. The City of Guelph is supportive of the position of the Municipal Finance Officers’ Association of Ontario (MFOA) and of the

subsequent endorsement of this position by the Large Urban Mayors Caucus of Ontario (LUMCO) and the Mayors and Regional Chairs of Ontario of Single Tier Cities and Regions (MARCO) which recommends that the current rate of \$75 be raised to \$180 beginning in 2016 and reset every 5 years with each review of the *Municipal Act* to reflect inflation in the non-residential construction index.

Finally and from a broader standpoint, there is a lack of legislative tools that allow for collection of POA fines through property taxation. Additional taxation authority, including alcohol/tobacco taxes, entertainment/hotel taxes and land transfer taxes similar to those which are provided for under the *City of Toronto Act*, would allow for municipalities to tailor a more flexible and sustainable approach to the tools through which they address their respective fiscal situations. Overall, such provisions would greatly increase the ability of municipalities to reconcile POA debts and lead to improved financial sustainability.

Responsive and Flexible Municipal Government

As it relates to barriers that impact providing effective services, subsections 23.2(4) and (5) set the standard for delegation of legislative power at a low level. If the standard were higher, and permitted more delegation, municipal councils could have more flexibility to permit staff to carry out more administrative and routine matters that need not be dealt with in precious Council time.

On the broad questions of climate change, the *Municipal Act* needs to be amended to permit, specifically, that municipalities may voice their opinions to senior levels of government on issues within the purview of those senior governments, but which affect municipalities. These issues should include matters such as climate change.

Finally, the ability of municipalities to create and use corporations established by s.203 is restricted unduly by O.Reg. 599/06. In particular in relation to holding corporations, the powers in s. 10(1) prevent a holding company from providing ancillary services to its subsidiaries, such as business development and financial management, which a private sector holding company would provide. There is no apparent rationale for this restriction. In addition and related, the requirements of s.17(2) of O.Reg.599/06 requiring a business case study be completed prior to any proposed amendment of the corporation's articles is unnecessary. It should be sufficient to provide for the municipality's consent.

Conclusion

Once again, the City of Guelph is appreciative of the opportunity to offer commentary to the Government of Ontario on the municipal legislative framework. We are proud of the work we have accomplished in regards to our open government initiatives and we

welcome changes that may come forward that offer increased *flexibility* for municipalities, improved *clarity* and *modernization* of the legislative and regulatory framework under which Ontario's municipalities operate.

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STAFF REPORT



TO Governance Committee

SERVICE AREA Office of the Chief Administrative Officer

DATE October 6, 2015

SUBJECT Process For Preparing Budgets: Mayor's Office & Council

REPORT NUMBER CAO-C-1508

EXECUTIVE SUMMARY

PURPOSE OF REPORT

To provide a formal and transparent process for the preparation, sign off, submission and presentation of budgets related to the activities of elected members of Council.

KEY FINDINGS

By way of this report, City Council and Administration gain clarity, transparency and an understanding of roles and responsibilities related to the preparation of budgets for the Office of the Mayor and City Council.

FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

ACTION REQUIRED

That the Governance Committee review, amend if required and ultimately approve a formal process for preparing budgets related to the Office of the Mayor and City Council.

RECOMMENDATION

That Council approve the accountabilities and procedures as outlined in Report CAO-C-1508 entitled Process for Preparing Budgets: Mayor's Office & Council; regarding the preparation, sign off, submission and presentation of budgets related to the Office of the Mayor and City Council.

BACKGROUND

During the 2015 budget process, questions were raised regarding the roles, responsibilities and process for the preparation, sign off, submission and presentation of budgets related to the annual operating and capital requirements of the Mayor and City Council.

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The Chief Administrative Officer (CAO) and Mayor offered to formalize the process followed to date and to ensure clarity on how members of City Council were consulted and could contribute to the development of budgets.

REPORT

There is a budget specific to City Council as a whole and a budget specific to the operation of the Mayor's Office. Both are under the administration of the Office of the Mayor.

The following describes the process upon which the Mayor, as Head of Council causes the preparation, sign off, submission and presentation of both operating and capital budgets for elected members of Council.

Of note, the procedures outlined respond to restrictions in the Municipal Act regarding constituting a meeting of City Council. While it is a best practice of administration to submit a budget reached by Executive Team consensus, the procedure assumes that City Council does not wish to constitute a separate meeting of City Council to reach consensus on its own budget submission to itself.

Accountabilities & Procedures

The Mayor is accountable for these budgets. The Executive Assistant (EA) to the Mayor is responsible for ensuring the process is fully undertaken and supports the Mayor and Council. The Finance Department provides financial analysis of budget information by verifying the calculation of the estimates, identifying trends, and recommending areas of potential savings.

There is an inter-dependency that requires consultation and input to occur among the Office of the CAO, City Councillors and the City Clerk, as outlined below.

Administrative Preparation

1. The EA attends and receives the "budget call" and templates to prepare the budgets for Council and the Mayor's Office. The budget call includes a series of instructions, targets and information on how to prepare a budget submission.
2. The EA communicates the process of preparing the combined submissions specific to the Mayor's Budget and Council's Budget.

Preparing the Office of the Mayor's Budget

Goal: In consultation with Office of the CAO, the EA prepares and submits a finalized Mayor's Office budget with sign off from Mayor.

To achieve this, the EA and Mayor:

- review actuals from previous years and projections to year end;

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- review future work plans and calendars for the upcoming year for the Mayor's Office to identify situations that may impact on future year(s) budgets (operating and capital) including specific corporate and community opportunities, scheduled events, initiatives to ensure resources are identified. (e.g. special anniversaries of the City, Mayor's Initiatives that require City resources); and
- consider administrative requirements and/or changes in the systems of the Mayor's Office.

Once this is complete, the following steps occur:

1. The EA summarizes changes to the budget and identifies proposed reductions and proposed expansions.
2. The EA then consults with the Office of the CAO to identify any overlap across other administrative budgets for items in the upcoming year.
3. The EA presents the finalized draft budget to the Mayor for final input. The Mayor signs off the Mayor's Office budget as complete for submission.
4. The EA prepares communication materials for budget presentation (slide decks, objectives of the Mayor's Office, etc.) with sign off by the Mayor.
5. The Mayor presents the Mayor's Budget as part of the City's Budget cycle.

Preparing the City Council Budget

Goal: After consultation with City Councillors, Office of the CAO and City Clerk, the Mayor signs off the City Council's budget.

To achieve this, the EA and the Mayor:

- review actuals from previous years and projections to year end;
- review future Council work plans and calendars for the upcoming year for City Council (similar to the consideration of the Mayor's Office);
- consider Council's administrative requirements and/or changes in the systems in support of members of City Council; and
- solicit input from members of City Council regarding needs and uses of the budget – operating and capital, IT etc.

Once this is complete, the following steps occur:

1. The EA summarizes changes to the budget and identifies the proposed reductions and expansions.
 2. The EA consults with the Office of the CAO and City Clerk to identify any overlaps across administrative budgets for items in the upcoming year.
 3. The EA presents a finalized draft budget to the Mayor for final input.
 4. The Mayor signs off the City Council budget as complete for submission.
 5. The EA prepares communication materials for budget presentation (slide decks, objectives of the Councillor's Office, etc.) with sign off by the Mayor.
 6. The Mayor presents Council's submission as part of the City's Budget cycle.
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STAFF REPORT

CORPORATE STRATEGIC PLAN

Innovation in Local Government

2.3 Ensure accountability, transparency and engagement

DEPARTMENTAL CONSULTATION

Corporate Services, Finance

Office of the Mayor

Office of the CAO

COMMUNICATIONS

None required at this time.

ATTACHMENTS

N/A



Authored by, Approved & Recommended By

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