

COMMITTEE AGENDA



TO **Governance Committee**

DATE Tuesday August 4, 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 – June 30, 2015 open meeting minutes

PRESENTATIONS (Items with no accompanying report)

- a) None

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-2015.6 Governance Committee Outstanding Motions			
GOV-2015.10 CAO Performance Appraisal Process	Connie Van Andel		√
GOV-2015.11 Capital Projects Risk Assessment	Ann Pappert, CAO and Executive Team		√
GOV-2105.12 Revisions to Internal Audit Charter			
GOV-2015.13 Financial Review of Urbacon Capital Project			

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-2015.1 CAO Performance Appraisal Process

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

STAFF UPDATES AND ANNOUNCEMENTS

ADJOURN

NEXT MEETING – Tuesday October 6, 2015



**The Corporation of the City of Guelph
Governance Committee
Monday June 30, 2015 at 3:00 p.m.**

Attendance

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

Councillors: Councillor Allt
Councillor MacKinnon

Staff: Ms. A. Pappert, Chief Administrative Officer
Mr. B. Labelle, Acting Deputy CAO Corporate Services
Mr. Stephen O'Brien, City Clerk
Ms. J. Sweeney, Council Committee Coordinator

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 Hofland
Seconded by Councillor Bell

That the open meeting minutes of the Governance Committee held on March 3 and April 8, 2015 be confirmed as recorded.

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

VOTING AGAINST: (0)

CARRIED

Consent Agenda

The following items were extracted:

GOV-2015.3 Conflict of Interest in Hiring Policy
GOV-2015.4 Procedural By-law and Associated Documents Review
GOV-2015.5 Council Composition and Employment Status Review – Update

- GOV-2015.7 *Municipal Election Act Reform Regarding Ranked Ballot and Permanent Residents Voting***
GOV-2015.9 *Councillor Kovach's motion from Council July 28, 2014 Re: Quarterly Reporting from Council Appointees to Government Associations*

Extracted Items

GOV-2015.5 *Council Composition and Employment Status Review – Update*

Kevin Bowman urged Council to consider ranked ballots as part of the Council Composition and Employment Standards Review.

2. Moved by Councillor Hofland
 Seconded by Councillor Bell

That the report dated June 30, 2015 titled "Council Composition and Employment Status Review – Update", be received.

VOTING IN FAVOUR: Mayor Guthrie, Councillors Bell, Downer, Hofland and Wettstein (5)
VOTING AGAINST: (0)

CARRIED

GOV-2015.7 *Municipal Election Act Reform Regarding Ranked Ballot and Permanent Residents Voting*

Susan Watson advised she was speaking on behalf of Fair Vote Guelph, a local group under the umbrella of Fair Vote Canada and advised of support for the introduction of ranked ballots. She requested that the issue of ranked ballots be included as part of the Council Composition and Employment Status Review.

Kevin Bowman suggested that ranked ballots should be part of the Council Composition and Employment Status Review and outlined the benefits of their use.

Graeme Laberge suggested that the use of ranked ballots sees more visible minorities running for election and less negative campaigning.

Derek Alton suggested that ranked ballots allow for more proportional representation. He advised that he would like to see the use of ranked ballots on the City's radar and included in the Council Composition and Employment Status Review.

3. Moved by Councillor Hofland
 Seconded by Councillor Wettstein

That the report dated June 30, 2015 entitled "*Municipal Election Act Reform Regarding Ranked Ballots and Permanent Residents Voting*", be received.

VOTING IN FAVOUR: Mayor Guthrie, Councillors Bell, Downer, Hofland and Wettstein (5)
VOTING AGAINST: (0)

CARRIED

GOV-2015.4 Procedural By-law and Associated Documents Review

Stephen O'Brien, City Clerk introduced the report and outlined the process of the review. He highlighted the four key areas: notices of motions, reconsiderations, removal of Standing Committee Terms of Reference and the removal of the Municipal Code.

Main Motion

4. Moved by Councillor Downer
Seconded by Councillor Hofland
 1. That the report dated June 30, 2015 entitled "Procedural By-law and Associated Documents Review", be received.
 2. That Council approve of the redline changes to Procedural By-law (2014)-19784, through the repealing of this by-law and the enactment of a new Procedural By-law.
 3. That the following documents be revised to align to the new corporate structure and amendments to the Procedural By-law be approved:
 - Council Terms of Reference
 - Standing Committee Terms of Reference
 - Closed Meeting Protocol
 - Meeting Flow for Chairs.
 4. That City of Guelph By-law (1989)-13137, being a by-law adopting codification of the By-laws of the Corporation of the City of Guelph be repealed.

Amendment

5. Moved by Councillor Wettstein
Seconded by Councillor Downer

That Section 2.8(f) be amended to read as follows:

"The Clerk may delegate the Clerk's duties with respect to recording minutes in a Closed Meeting of Council to a staff person. For Closed meetings of Committee or Council where CAO performance is addressed, the Clerk may delegate the Clerk's duties with instructions to a third party."

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

VOTING AGAINST: (0)

CARRIED

Main Motion as Amended

6. Moved by Councillor Downer
Seconded by Councillor Hofland
 1. That the report dated June 30, 2015 entitled "Procedural By-law and Associated Documents Review", be received.

2. That Council approve of the redline changes to Procedural By-law (2014)-19784, through the repealing of this by-law and the enactment of a new Procedural By-law, **with the following amendment:**

That Section 2.8(f) be amended to read as follows:

“The Clerk may delegate the Clerk’s duties with respect to recording minutes in a Closed Meeting of Council to a staff person. For Closed meetings of Committee or Council where CAO performance is addressed, the Clerk may delegate the Clerk’s duties with instructions to a third party.”

3. That the following documents be revised to align to the new corporate structure and amendments to the Procedural By-law be approved:

Council Terms of Reference
Standing Committee Terms of Reference
Closed Meeting Protocol
Meeting Flow for Chairs.

4. That City of Guelph By-law (1989)-13137, being a by-law adopting codification of the By-laws of the Corporation of the City of Guelph be repealed.

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

VOTING AGAINST: (0)

CARRIED

GOV-2015.3 Conflict of Interest in Hiring Policy

7. Moved by Councillor Bell
Seconded by Councillor Hofland

That the Conflict of Interest in Hiring Policy be approved.

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

VOTING AGAINST: (0)

CARRIED

GOV-2015.9 Councillor Kovach’s Motion adopted by Council July 28, 2014 re: Quarterly Reporting from Council Appointees to Government Associations

8. Moved by Councillor Hofland
Seconded by Councillor Downer

That no action be taken on Councillor Kovach’s motion adopted by Council 28, 2014 with respect to quarterly reporting from Council Appointees to Government Associations.

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

VOTING AGAINST: (0)

CARRIED

Staff Updates and Announcements

Ann Pappert, Chief Administrative Officer advised that the Governance Committee will be discussing their Council Shared Agenda on July 27th.

Adjournment (5:27 p.m.)

9. Moved by Downer
Seconded by Hofland

That the meeting be adjourned.

CARRIED

Joyce Sweeney
Council Committee Coordinator

**GOVERNANCE COMMITTEE
CONSENT AGENDA**

Tuesday August 4, 2015

Members of the Governance Committee.

SUMMARY OF REPORTS:

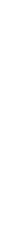
The following resolutions have been prepared to facilitate the Committee’s consideration of the various matters and are suggested for consideration. If the Committee wishes to address a specific report in isolation of the Consent Agenda, please identify the item. The item will be extracted and dealt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

Reports from Administrative Staff

REPORT	DIRECTION
<p>GOV-2015.6 GOVERNANCE COMMITTEE OUTSTANDING MOTIONS</p> <p>That Report CS-2015-55 dated August 4, 2015 entitled “Governance Committee Outstanding Motions”, be received for information.</p>	Receive
<p>GOV-2015.10 CAO PERFORMANCE APPRAISAL PROCESS</p> <p>That report with respect to the CAO Performance Appraisal Process, be received.</p>	Receive
<p>GOV-2015.11 CAPITAL PROJECTS RISK ASSESSMENT</p> <p>That Report CAO-C-1507 dated August 4, 2015 entitled “Capital Projects Risk Assessment, including attachment #1, be received.</p>	Receive
<p>GOV-2015.12 REVISIONS TO INTERNAL AUDIT CHARTER</p> <ol style="list-style-type: none"> 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. 	Approve

**GOV-2015.13 FINANCIAL REVIEW OF URBACON CAPITAL
PROJECT**

Report to come under separate cover.



STAFF REPORT

TO Governance Committee

SERVICE AREA Corporate Services

DATE August 4, 2015

SUBJECT Governance Committee Outstanding Motions

REPORT NUMBER CS-2015-55

EXECUTIVE SUMMARY

PURPOSE OF REPORT

To advise the Governance Committee of the status of all pertinent outstanding motions of the Governance Committee.

KEY FINDINGS

Staff continue to work towards reconciling the outstanding motions through reports forthcoming to the Governance Committee as noted in the outstanding list.

FINANCIAL IMPLICATIONS

There are no financial implications.

ACTION REQUIRED

To receive the report for information.

RECOMMENDATION

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

BACKGROUND

This is the first report in 2015 to update the Governance Committee on outstanding committee motions.

REPORT

The outstanding motions list for the Governance Committee is attached as well as the known target dates with respect to reporting back.

STAFF REPORT



CORPORATE STRATEGIC PLAN

This report supports strategic direction "To ensure accountability, transparency and engagement."

DEPARTMENTAL CONSULTATION

CAO's Office

FINANCIAL IMPLICATIONS

There are no financial implications.

COMMUNICATIONS

N/A

ATTACHMENTS

ATT-1 Governance Outstanding Items

Prepared by:

Joyce Sweeney
Council Committee Co-ordinator

Recommended By
Stephen O'Brien
City Clerk
519-822-1260 Ext.5644
stephen.obrien@guelph.ca

Approved By
Mark Amorosi
Deputy CAO, Corporate Services
519-822-1260 Ext. 2281
mark.amorosi@guelph.ca

Approved By
Ann Pappert
Chief Administrative Officer
519-822-1260 Ext. 2221
ann.pappert@guelph.ca

STAFF REPORT

ATT-1

Date of Committee	Subject	Lead Area
March 23/15 Council	<p>GOV-2015.2 Internal Audit Reporting Structure 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 <i>Internal Audit Charter</i>, in 2015, to the Governance Committee.</p>	CAO's Office – August 4, 2015
Dec 3/13 Oct 28/13 Council	<p>Integrity Commissioner 1. That report CAO-C-1308 entitled "Integrity Commissioner" be received. 2. That Governance Committee direct staff to develop a Charter for the Integrity Commissioner position for Governance Committee consideration in Q2 – 2014.</p> <p>That staff be directed to review all policies and procedures relating to the Integrity Commissioner position, and establish an evaluation procedure for reviewing the Integrity Commissioner's performance.</p>	Clerk's / CAO's Office – targeted for October 2015 meeting
Dec 3/13	<p>GOV-2013.20 Review of the Corporation of the City of Guelph's Identity: Phase 1 Findings and Next Steps 1. That the December 3, 2013 report entitled "Review of the Corporation of the City of Guelph's Identity: Phase 1 Findings and Next Steps", be received. 2. That staff be directed to report back in 2014 with implementation options for Committee consideration</p>	CAO's Office – reporting back in 2015 Q4

July 21, 2105

STAFF REPORT

TO Governance Committee

SERVICE AREA Corporate Services

DATE August 4, 2015

SUBJECT CAO Performance Appraisal Process

REPORT NUMBER #CS-2015-73

EXECUTIVE SUMMARY

PURPOSE OF REPORT

To provide Committee with an overview of the CAO Performance Appraisal Process, Terms of Reference and Process Protocol.

KEY FINDINGS

It IS the responsibility of Council to assess the performance of the CAO and as part of Council's ongoing commitment to transparency to the public; Terms of Reference and Process Protocol were developed and approved.

The Process Protocol delegates responsibility to oversee the process on behalf of Council to the Performance Appraisal Sub-Committee (Governance Committee).

The revised Terms of Reference and Process Protocol are attached (Appendix 1). Revisions include the new Council Committee names and reflect the changes in the organizational structure (see highlighted sections in Appendix 1).

FINANCIAL IMPLICATIONS

None

ACTION REQUIRED

Governance Committee to receive for information

RECOMMENDATION

That Governance Committee receive the report.

STAFF REPORT

BACKGROUND

In 2008, Council approved a *CAO Employment Policy* that established criteria for the recruitment, selection/offer of employment, terms and conditions of employment, performance development/appraisal, compensation, and termination of employment.

In July 2013, Council formalized and approved Terms of Reference for the CAO Performance Appraisal Committee and Performance Appraisal Process Protocol (Appendix 1). These documents outline the process used by City Council as part of their responsibilities in assessing the performance of the CAO, which is the singular position that Council is responsible to oversee.

Establishing and making these documents available publicly reinforces Council's ongoing commitment to transparency and open government through proactive disclosure.

REPORT

As outlined in the Terms of Reference for the CAO Performance Appraisal Process, "a primary function of Council is to ensure the effective management of the affairs of the Corporation of the City of Guelph for the purpose of ensuring the efficient and effective operation of the municipality."

The Chief Administrative Officer (CAO), as per the *Municipal Act*, is the head of the administrative arm of city government and is responsible to Council for the administration of policies and plans established by Council. The CAO Performance Appraisal Committee Terms of Reference and Process Protocol formalize the annual performance evaluation of the CAO.

The Terms of Reference document outlines Guiding Principles, Mandate of the Appraisal Committee, Composition and Term, Resources, Operating Procedures, Resources and Roles of Stakeholders with respect to Committee Meetings.

The Process Protocol outlines specific tasks during the term of Council regarding job description review, review of the CAO by-law, development of performance objectives, the performance evaluation process including the determination of an overall performance rating, recommendations for compensation, and a professional development plan inclusive of a 360 degree assessment used for development purposes. The Process Protocol also delegates responsibility to oversee the process on behalf of Council to the Performance Appraisal Sub-Committee (Governance Committee).

STAFF REPORT

An external Consultant is retained to assist Council with the process (Consultant presentation is attached – Appendix 2).

CORPORATE STRATEGIC PLAN

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

DEPARTMENTAL CONSULTATION

None

FINANCIAL IMPLICATIONS

None

COMMUNICATIONS

The CAO Performance Appraisal Committee Terms of Reference and Process Protocol are available on the City website.

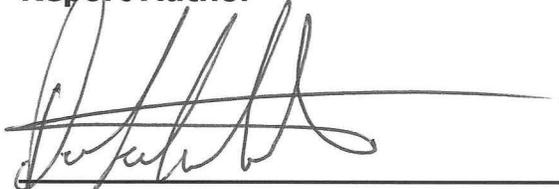
ATTACHMENTS

Attachment 1 - CAO Performance Appraisal Committee Terms of Reference and Process Protocol

Attachment 2 - Consultant Presentation – CAO Performance Appraisal Process

David Godwaldt, GM Human Resources

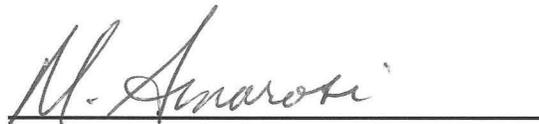
Report Author



Approved By

David Godwaldt
GM, Human Resources
X 2848

david.godwaldt@guelph.ca



Recommended By

Mark Amorosi
Deputy CAO, Corporate Services
x 2281

mark.amorosi@guelph.ca

APPENDIX 1

CAO Performance Appraisal Committee Terms of Reference

Introduction

Ad Hoc Committees of Council are created to enable Council's work. Ad Hoc Committees work on behalf of Council to provide advice and make recommendations to Council.

A primary function of Council is to ensure the effective management of the affairs of the Corporation of the City of Guelph for the purpose of ensuring the efficient and effective operation of the municipality.

Guelph's model of administration follows the Municipal Act in the establishment of a Chief Administrative Officer (CAO) position as the head of the administrative arm of city government. The CAO is responsible to Council to administer the business affairs of the City in accordance with the policies and plans established and approved by Council.

The hiring of the CAO is one of the key responsibilities of Council. The CAO is the only position that Council is directly responsible for hiring.

Accomplishment and measurement are two fundamental principles of the Governance Framework adopted by Council. Performance measurement is an important human resources management practice.

Council is responsible for the evaluation of the performance of the CAO. The CAO Performance Appraisal Committee is delegated the responsibility of overseeing the process on behalf of Council.

Guiding Principles

1. All Ad Hoc Committee work will be carried out in accordance with provisions of the Municipal Act and other governing legislation.
2. The Council's Code of Conduct, transparency and accountability will guide Committee efforts, promoting the highest ethical standards and professionalism while ensuring that the best interests of the community are met.
3. The Council endorsed corporate values of wellness, integrity and excellence will also be observed.
4. The Council endorsed Principle Based Governance model is reflected in the Responsibilities and Duties defined below.

Mandate

The Committee's mandate defines its core areas of management and responsibility. It is the mandate of the Committee to ensure that appropriate policies, principles, procedures and roles are established for the functional areas that comprise the scope of the Committee's responsibility.

Scope of the CAO Performance Appraisal Committee

Responsibilities:

The responsibilities for the Committee are:

Accomplishment and Measurement

- Oversee the process for the establishment of annual objectives for the CAO.
- Oversee the process for the annual appraisal of performance of the CAO.
- Recommend to Council any changes to CAO compensation as an outcome of the performance appraisal process.

Continuous Learning & Growth

- Ensure the development for the CAO through the establishment of an annual Professional Development Plan by the CAO.
- Ensure members of Council are oriented on their participation in the CAO performance appraisal process.
- Recommend changes to the CAO Performance Approval Process to the Governance Committee based on feedback from the CAO and members of Council.

Composition and Term

- The CAO Performance Appraisal Committee consists of the Mayor and the **Chairs of Corporate Services (CS), Public Services (PS), Infrastructure Development and Enterprise (IDE) and Audit.**
- **The Chairs of CS, PS, IDE and Audit** may delegate their responsibilities to the Deputy Chair of their Standing Committee (or a member of the Committee in the absence of a Deputy Chair).
- The term of committee members coincides with their appointment as Chair of **CS, PS, IDE and Audit.**

Resources

- The Committee will retain the services of an external Human Resources consultant to assist in the execution of the CAO Performance Appraisal process.

- The Chief Administrative Officer (CAO), the Executive Director responsible for the service area and other specialists may be called upon to conduct research, communications or any other Committee identified requirements. Because Council has delegated responsibility to the CAO for the administration of the affairs of the City in accordance with decisions adopted by Council, under the direction of the CAO staff have the responsibility and the authority to provide consultation, advice and direction to Council, and by inference to Council Ad Hoc Committees.

Operating Procedures

1. **Chair** - The Mayor chairs the Committee. The annual Performance Appraisal process is initiated by the Chair. The Chair shall vote on all motions.
2. **Meetings** - The frequency and calling of meetings is at the discretion of the Chair.
3. **Meeting Agenda** - Committee meeting agendas shall be the responsibility of the Chair of the Committee.
4. **Notice of Meetings** - Public notice of all committee meetings will be provided on the City's electronic general calendar at least 72 hours prior to a meeting; by posting a notice in City Hall at least 72 hours prior to the meeting; and by publication in a local paper at least 72 hours prior to the meeting. It is recognized that some items consistent with Section 239 in the Municipal Act may permit a meeting to be closed to the public. The holding of any closed meetings and the general nature of the matter to be considered will be made public to ensure full transparency.
5. **Meeting Minutes** - Meeting minutes will be recorded and distributed to Committee members with each meeting agenda. Minutes will capture a summary of discussions and debate without attribution
6. **Committee Working Process** - All decisions that lead to the formulation of recommendations for Council consideration will take place at the Committee meetings only and not through electronic or other outside exchanges. All pertinent information will be shared with all Committee members in advance of meetings. This can include but not be limited to meeting minutes and any supplemental information.
7. **Quorum** - A quorum shall be a majority of the whole committee (3).
8. **Attendance at Meetings** - Members of Council who are not committee members shall not attend meetings unless invited by the Mayor or at the request of the Committee.
9. **Reporting to Council** - The Committee will report to Council with recommendations for approval.
10. **Procedural Rules** - Any rule not stated herein is deemed to be provided in the current Procedural By-law, as amended from time to time.
11. **Performance Appraisal Committee Protocol** - A protocol guides the Committee's work (Schedule 1).

Roles of Stakeholders With Respect to Committee Meetings/Business

The following key stakeholders are recognized:

1. Committee Chair
2. Committee Members
3. Chief Administrative Officer
4. Deputy CAO, Corporate Services (or Delegate)
5. External Human Resources Consultant
6. City Clerk

1. Committee Chair Role

Specific roles and responsibilities for the Committee Chair include:

Preparation

1. Calling the meetings.
2. Consulting the CAO on the development of the agenda.
3. Ensuring the alignment of the Committee with the Council-approved protocol.
4. Developing an annual work plan.
5. Ensuring the confidentiality of material distributed to Committee and Council.
6. Working with Human Resources to engage the services of an external Human Resources Consultant (Consultant).
7. Meeting with the Consultant to ensure the coordination of the Performance Appraisal Process.

In Committee Meetings

8. Ensuring the Committee works within its assigned mandate.
9. Collaborating with the CAO and City Clerk to encourage efficient and effective conduct of Committee business and accomplishing the work of each meeting agenda.
10. Modeling the behavior expected of all Committee members.

Specific to decision making:

11. Maintaining order and decorum during meetings, deciding questions of procedure, and generally ensuring that the Committee work proceeds smoothly according to the Committee's work plan.
12. Engaging all Committee members in the decision making process.
13. Ensuring the Committee has sufficient information to make a decision.
14. Ensuring that the CAO has been provided with the opportunity to clarify any matters of fact or professional advice.
15. Building consensus where possible.
16. Ensuring the will of the Committee prevails.

After Committee Meetings

17. Speaking on behalf of the Committee at the Council level.
18. Acting as the primary spokesperson for any Committee-related inquiries working closely with the CAO, as required.

19. Maintaining strong communications with committee members between meetings.

2. Committee Member Role

Specific roles and responsibilities for the Committee Members include:

Preparation

1. Reading all agenda material and seeking clarification from the Chair of on any matters prior to meetings in order to make the most effective use of the Committee's time.

In Committee Meetings

2. Attending meetings and participating fully in all Committee work.
3. Debating the issues in an open, honest and informed manner to assist the decision-making process.
4. Actively contributing to reaching Committee recommendations and directions.
5. Respecting the role of Committee Chair.
6. Respecting the role of the CAO.

3. Deputy CAO, Corporate Services (or Delegate)

Specific roles and responsibilities for the Deputy CAO include:

1. Assisting with the engagement of the external Human Resources Consultant.
2. Providing advice to the committee as required.
3. Attending committee meetings at the request of the Chair.
4. Serving in the capacity of the City Clerk when the Committee makes recommendations to Council regarding compensation.

4. Chief Administrative Officer (CAO)

Specific roles and responsibilities for the CAO include:

1. Preparing a summary of accomplishments based on the approved performance objectives for the appraisal period.
2. Preparing objectives for the approval of Council for the coming appraisal period.
3. Attending meetings at the request of the Chair.

5. External Human Resources Consultant (Consultant)

Specific roles and responsibilities for the CAO include:

1. Attending committee and Council meetings at the request of the Chair
2. Serving in the capacity of the City Clerk when the Committees present the results of the appraisal to Council.
3. Conducting the survey of Council.
4. Providing advice to the committee as required.

6. City Clerk's Role

Specific roles and responsibilities for the City Clerk include:

Preparation

1. In consultation with Committee Chair and CAO develop the Committee mandate and charter and reviewing once a term or as required.
2. Managing the legislative agenda and process for the Committee, ensuring that meetings are held in accordance with Council approved protocol and applicable legislation.
3. Calling meetings at the request of the Committee Chair.

In Committee Meetings

4. Attending, or designating staff to attend, all meetings of Council Committees.
5. Providing advice on legislative protocol and meeting procedures as requested by the Chair
6. Supervising the issuance of notices, recording of minutes and resolutions and other meeting and documentary processes

After Committee Meetings

7. Evaluating effectiveness of Committee meetings and offering suggestion for improvement to the Chair and CAO.

Schedule 1 - Chief Administrative Officer Performance Appraisal Process Protocol

Review of the Job Description

- The review of the job description will occur once during the term of Council and should be completed by the end for the first quarter of the first year of the Council term unless the recruitment of a new CAO is anticipated early in the term. The job description is reviewed as the first step in recruiting a new CAO.
- The review would be initiated by the Chief Administrative Officer (CAO) and would include all members of Council. Council would review the key result areas and the major responsibilities set out in the existing job description
- The purpose of the review is to ensure there is agreement on the Key Result Areas and Position Responsibilities.

Review of the CAO By-law

- The review of the CAO By-law will occur once during the term of Council.
- The review may follow the review of the job description.
- The CAO By-law might also be reviewed early in the tenure of a newly-appointed CAO.
- The review of the CAO By-law would be initiated by the Chief Administrative Officer and would be considered by the Governance Committee for recommendation to Council.

Development of Performance Objectives

- On an annual basis, Performance Objectives will be set for the CAO that are aligned to the Council-approved Corporate Strategic Plan.
- The CAO's Key Result Areas are taken from the CAO's job description
 - Leadership
 - Management
 - Communications
 - Technical Functions
- Using the Performance Appraisal Planning and Review Form, specific Performance Objectives and proposed Actions are to be developed for the Key Results Areas and Position Responsibilities.
- The CAO will prepare Performance Objectives in consultation with the CAO Performance Appraisal Committee. Upon final approval by this committee, the Performance Objectives will be presented to Council for approval.
- Performance Objectives will be established for the calendar year.
- Performance Objectives will be approved within the first quarter of each year.
- Partial-year Performance Objectives will be established by a new CAO appointed before the last quarter.

- Performance Objectives will be presented to Council at a Closed Meeting. The CAO will be delegated the duties of the City Clerk for this matter.
- The CAO may also present their objectives at an Open Meeting of Council.

Performance Appraisal

- The measurement of performance will be completed on a formal basis in the first quarter of the second, third and fourth years of the term of Council.
- The Performance Appraisal period will commence in January of each year and end no later than March (i.e. a three month process). Timing may vary with a newly-appointed CAO.
- Areas of evaluation will include but are not limited to: leadership, management, communication, and technical functions.
- The Performance Appraisal shall be inclusive and evaluative of work results expected versus achieved as well as an evaluation of how the CAO has modelled and lived the Corporate Values (i.e. what and how work has been accomplished).
- The CAO will provide quarterly updates on progress towards the completion of the Objectives and proposed Actions. The quarterly update will be provided to all members of Council at a Closed Meeting. The CAO will be delegated the duties of the City Clerk for this matter.
- A summary of the results achieved is to be prepared by the CAO and included in the Actual Performance section of the Performance Appraisal Planning and Review Form. The CAO will present this information to Council at a Closed Meeting. The CAO will be delegated the duties of the City Clerk for this matter.
- The services of an external Human Resources Consultant will be engaged by the CAO Performance Appraisal Committee to conduct the survey of Council.
- Council will be provided with an orientation program on how to complete the Performance Appraisal Planning and Review Form.
- Council will then assess the actual performance for each Key Result Area. First the actual performance for each Objective is assessed as Not Achieved (for acceptable reason), Not Achieved (for unacceptable reasons), Achieved, or Exceeded. Secondly a numerical rating is then given for each key result area. The numbers used in this rating are just a way to identify the level of achievement for each Key Result Area.
- The Form is to be completed individually by all members of Council. The Form will be circulated to members of Council by an external Human Resources Consultant (Consultant). All members of Council are expected to complete and submit the Form. The Consultant will work to ensure 100% participation of Council members.

- The definitions used for rating the Achievement Level are as follows:
 - 4 = Exceptional
 - 3 = Fully Successful
 - 2 = Developing
 - 1 = Unsuccessful
- The individual ratings of individual Council members are then combined to provide one rating.
- Individual ratings and comments provided by members of Council will be reviewed and summarized by the Consultant.
- The Consultant will provide the Performance Appraisal Committee with a summary that includes the overall performance rating, recommendation for salary, common themes from Council comments and possible issues for professional development. The summary will advise if any members of Council have not completed the Form. The Consultant will be delegated the role of the City Clerk for this matter.
- The Consultant may edit inappropriate comments from the summary; the consultant will advise if this was required.
- The summary will be presented at a Closed Meeting of Council. The Consultant will attend and support the recommendation of the Performance Appraisal Committee. The Consultant will be delegated the role of the City Clerk for this matter.

Overall Performance Rating

- An overall performance rating will be determined by the consultant based on the performance ratings provided by individual members of Council and included as part of their report to the Performance Appraisal Committee and its report to Council.

Recommendations for Salary

- Based on the Overall Performance Rating, the Performance Appraisal Committee would establish a recommended salary, also to occur in the second, third and fourth years of the term of Council.
- The guidelines for establishing the salary are as follows:
 - Level 4 – Progress through the salary grid and receive market adjustment or maintain at job rate
 - Level 3 – Progress through grid and receive market adjustment or maintain at job rate
 - Level 2 – No increase other than cost of living (i.e. market adjustment)
 - Level 1 – No salary increase
- Note – should NUME compensation practices change over time, recommendations for the CAO salary, subject to satisfactory performance

may be aligned to the NUME practice, provided that provisions exist in the CAO contract for the change, or subject to sufficient notice to the incumbent CAO of the change.

- The salary level corresponding to the levels indicated above would be based on NUME salary grid.
- The overall performance rating and the recommended salary would be presented to Council for approval as part of the Performance Appraisal Committee's report to Council. **The Deputy CAO, Corporate Services (or Delegate) will be delegated the duties of the City Clerk for this matter.**
- After Council has approved the rating and salary, the Performance Appraisal Committee would meet with the CAO to complete the Performance Appraisal Summary Form for that year. The CAO will be delegated the duties of the City Clerk for this matter.
- Economic increases are approved during the budget process for all NUME not through the CAO Performance Appraisal process.
- A market-based job evaluation is completed annually and recommendations brought forward independently and not through the CAO Performance Appraisal process.

360 Degree Assessment

- The 360-degree assessment will be completed in the fall of the first year of Council's four year-term. The 360-degree feedback would be gathered from the CAO, his/her direct reports and members of Council.
- The information collected in the 360-degree assessment would be used in developing the Professional Development Plan.
- The timing of the 360-degree assessment may be adjusted when a CAO is appointed mid-term.
- Participants in the 360-degree assessment will receive appropriate training on the process.
- The 360-degree process shall be a separate process from the performance review (i.e. to commence after the performance review period). It should be structured in such a way as to provide feedback for personal, professional and leadership development to augment development that had been identified through the performance review period.
- Results of the 360-degree assessment shall be shared only with the CAO. The CAO shall provide a summary of the feedback to the Mayor. Results may alter the development plan established during the performance appraisal, and will be confirmed by the Performance Appraisal Committee.
- The 360-degree assessment will be managed through an external Human Resources Consultant with expertise in this area.

Professional Development Plan

- In the spring of the second and third years of the Council term, the CAO will prepare a professional development plan. This plan will be reviewed by the

Performance Appraisal Committee. The plan may be related to issues identified during the Performance Appraisal or the 360-Degree Assessment.

- The Professional Development Plan referenced above should include areas for development, including but not limited to – strategic planning, relationship management, team leadership, and communication.
- The timing of the Professional Development Plan may be adjusted when a CAO is appointed mid-term.

Appendix 2

City of Guelph

CAO Performance
Appraisal Process
August 4, 2015

CAO Performance Appraisal

- Responsibility of Council to assess the performance of the CAO
- Have established Terms of Reference and Process Protocol
- Protocol delegates responsibility to oversee the process on behalf of Council to the Performance Appraisal Sub-Committee (Governance Committee)

Process

- The performance appraisal is an objective assessment of the CAO's performance
 - Rating of performance on approved objectives
 - Overall performance rating
 - Recommendation and decision for salary
 - Professional development plan
 - Develop performance objectives for next review period

Rating Performance

- Performance Appraisal Survey
 - All members of Council are required to participate
 - On-line survey
 - CAO provides details on accomplishments
 - Council members rate the achievement of CAO Performance Objectives
 - New in 2015 – Assessment of performance against the Leadership Charter

Performance Appraisal Report

- Prepared by the Consultant who will:
 - Summarize the ratings
 - Review and summarize the comments
 - Exclude comments relating to other employees
 - Amend comments to focus on specific behaviour
 - Exclude or amend comments that could be considered personal attacks
 - Calculate the Overall Performance Rating
 - Apply the NUME progression pay guidelines for salary recommendation
- Present report to Governance Committee – October 6, 2015

Conduct Performance Appraisal

- Governance Committee to meet with CAO following the October 13 meeting of Council to:
 - conduct the Performance Appraisal
 - complete the Performance Appraisal Summary Form for that review period
 - Prepare professional development plan
 - Develop performance objectives for the next review period

2015 Timelines

- Presentation to Planning Committee of Council - September 14
- Distribution of performance appraisal survey – September 15
- Completion of surveys – September 22
- Report to Governance Committee – October 6
- Governance Committee Report to Council – October 13
- Governance Committee meeting with CAO

STAFF REPORT



TO Governance Committee

SERVICE AREA Office of the Chief Administrative Officer

DATE August 4, 2015

SUBJECT Capital Projects Risk Assessment

REPORT NUMBER CAO-C-1507

EXECUTIVE SUMMARY

PURPOSE OF REPORT

To provide the key findings, recommendations and management's plan to respond to an external assessment of the City of Guelph's approach to managing a range of capital projects and their risk.

This assessment supports the City's commitment to address issues identified during the construction of Guelph's new City Hall to ensure success with current and future capital projects. The outcomes will position the City to move forward with the assurance that we have used the appropriate method of categorization and alignment of project and risk management procedures, systems and practices.

KEY FINDINGS

This assessment is timely. Over the next 10 years, the City of Guelph is planning to deliver over 270 projects with costs projected in excess of \$650,000,000.

Our project portfolio has grown to a level where it is now appropriate to revise our method of project categorization and align appropriate project and risk management procedures and practices.

During Deloitte's engagement there were several recurring observations with respect to the overall project management and governance environment at the City of Guelph. A total of 18 recommendations aligned to Deloitte's capital projects risk framework will position Guelph going forward.

The results serve as collection of concrete objectives to significantly strengthen project management at the City of Guelph.

FINANCIAL IMPLICATIONS

The organization has resources within the current 2015 operating budget to begin to action the first 3 key recommendations proposed by Deloitte.

Through Q3 staff will evolve a more detailed work plan and will review options

STAFF REPORT

with the Corporate Management Team to address actions within existing budgets. If additional resources are required, a proposal will be included in Council's deliberation of the 2016 budget.

ACTION REQUIRED

Governance Committee to receive the results of this assessment.

RECOMMENDATION

1. That CAO-C-1507 including attachment #1 be received.

BACKGROUND

Prior to this assessment by Deloitte, an Organizational Assessment completed by Western Management Consultants in 2013 asserted that the City of Guelph needed to reconsider its overall approach towards program/project management.

Specifically, it was recommended that a 'corporate wide and systematic approach be developed' to address concern that, over a relatively short period of time (e.g. in response to economic stimulus opportunities) the corporation had undertaken an accelerated series of capital projects that included greater complexity and risk. Several projects included a broad range of community partners and now offered opportunities for lessons learned.

Within this context, the Corporation was in litigation related to the construction of Guelph's City Hall/POA facility and began to forecast a capital project list that included increasingly more complex capital projects of significant size and scope e.g. Guelph Police Services, Baker Street complex.

In response to the key recommendation of the Organizational Assessment, City Council approved the establishment of a program/project management resource focused on advancing a system of corporate wide project management, including training, skills development and tools. The new project management resource (Program Manager, Corporate Projects) commenced an internal review of project management maturity at the City. This objective was included in the CAO's Objectives 2014-2015. Later in 2014, it became timely to engage an independent, third party to undertake a more detailed, objective assessment of the City's approach to managing capital project risk.

Management requested that the Internal Audit Department oversee the engagement, scope, objectives and approach undertaken by a third party assessor

STAFF REPORT

and support the delivery of the final assessment and recommendations to senior management.

REPORT

Attachment#1 is Deloitte's *Executive Summary: Capital Projects Risk Assessment* (March 2015).

This staff report serves to respond to the outcomes of this review.

Sections quoted verbatim from the Deloitte reports are shown in *italics*, allowing for an integrated report that provides both the highlights of the Executive Summary, the full list of recommended actions and management's response.

Approach

Deloitte was engaged to perform an objective and initial assessment of the City of Guelph's approach to managing project risk.

The purpose of the assessment was to identify risk areas within the current approach to managing capital projects, highlight key gaps and provide recommendations.

The assessment supports the City of Guelph's commitment to address issues identified during the construction of the new City Hall and subsequent dispute with Urbacon.

Working with the Internal Audit Department and with support from the Program Manager, Corporate Projects, Deloitte set objectives to:

- *Understand Guelph's project portfolio and current project management and governance practices*
- *Assess current project risk management practices*
- *Assess appropriateness, to the extent possible, of project risk management and governance tools and templates for the size and scale of project portfolio including projects performed under multiple partner models.*

Methodology

A series of interviews with key personnel of the City of Guelph was conducted by Deloitte associates. The Internal Auditor and Program Manager, Corporate Projects participated in the interviews. Through the interviews, supporting documents were collected and assessed by Deloitte. The interviews and document collection focused on the following areas:

STAFF REPORT

1. *Health & Safety*
2. *Project Governance & Accountability*
3. *Communications & Reporting*
4. *Risk and Issue Management*
5. *Resource Management*
6. *Scope and Change Management*
7. *Scheduling Management*
8. *Cost Management*
9. *Quality Assurance/Quality Control*
10. *Procurement, Contracts & Claims Management*
11. *Systems & Document Management*

Key Observations

Overall Current Situation: The Project portfolio at the City of Guelph has grown to a level where it is appropriate to revise the method of categorization and align appropriate project and risk management procedures and practices.

Many findings reinforced the need to ensure standardization for systems, processes and documents across all service areas.

- *There are very few project management and governance processes and procedures in place.*
- *While some of the tools and practices presented could form a solid basis for project management standardization, these are overshadowed by a weak procedural framework and undocumented processes and practices.*
- *Leadership and project delivery personnel would benefit from a strengthened focus on project management standards and principles.*
- *Many participants demonstrated a willingness to improve and share leading practices with their colleagues. Overall the City of Guelph displays an appreciation for the importance of strengthening the Capital Project governance environment.*

The City of Guelph's project portfolio comprises 270 projects that are categorized as operations, departmental and corporate projects. Over the next 10 years, the City's plans will deliver these projects at a cost in excess of \$650,000,000

An analysis of the projected 10 year project portfolio resulted in 3 distinct tiers of projects being proposed for the City of Guelph. They are:

STAFF REPORT

Tier 1

(15 projects /10 years valued at \$314, 110,000)

- *Projects exceeding \$10,000,000 driven by long term Master Plans*
- *High Risk*
- *Complex with possible significant impact on continuity of operations*
- *Multiple stakeholders / multiple service areas involved*
- *Significant strategic value to City of Guelph*
- *Significant reputational considerations*
- *Infrequently executed*
- *Typically sponsored by an Executive and led by a Contract Project Manager*

Tier 2

(96 projects/10 years valued at \$278,605,000)

- *Budgets between \$1,000,000 - \$10,000,000 typically driven by Master Plans*
- *Departmental in focus*
- *Medium risk and complexity*
- *Led by an internal project manager*

Tier 3

(155 projects/10 years valued at \$58,460,000)

- *Budget less than \$1,000,000*
- *Operational and maintenance in focus*
- *Low risk and complexity*
- *Short term timeline and routine*
- *Engineering mostly done in house; may use external consultants*
- *Executed by Department using internal project managers*

The Moving Forward Plan

The following 18 actions are proposed by Deloitte to appropriately position the City of Guelph as it undertakes future complex capital projects. The areas align to Deloitte's Capital Projects Risk Framework.

3 Key Priority Actions:

1. *Develop and implement a Capital projects portfolio management framework that identifies projects as Tier #1, 2 or 3 based on their:*
 - a. *risk and complexity profile,*

- b. sponsor group or individual,*
 - c. delivery method,*
 - d. impact on the continuity of operation,*
 - e. Reputational importance.*
- 2. Establish a Project Management Office that will specify standards, guidelines and principles for the delivery of Capital projects, along with implementing governance and decision support requirements for each category of project Tier at each stage in the project lifecycle.*
- 3. Develop and implement a formal risk management approach that is scalable to project Tier and aligned with:*
 - a. key milestone/multiple decision point framework (known as stage-gates)*
 - b. business case requirements*
 - c. corporate enterprise risk management program.*

Further Actions

Health & Safety:

- 4. Review use of Health and Safety documentation on capital projects with the goal of ensuring there are no gaps.*

Project Governance & Accountability:

- 5. Continue to develop elements of a Project Management Centre of Excellence that is appropriate for the three Tiers of projects (i.e. process, PM training and reporting requirements.)*
- 6. Establish Audit coverage based on risk. Clearly define the role for the Internal Audit in the overall project governance plan with a focus on assisting with improving the delivery of Capital Projects*

Communications & Reporting

- 7. Develop and implement reporting requirements, including templates and timelines which are scalable according to the project Tier.*

Risk and Issue Management

- 8. Conduct training for all personnel who are involved in Capital Projects delivery to build a greater understanding of project risk management.*

Resource Management

9. Integrate resource management as part of a stage-gate process, including incorporating an initial resource plan in the business case.

10. Develop and implement a model to deliver the portfolio of projects. This includes enhancement of the project management capability and capacity of the organization.

Scope and change management

11. Develop and implement a stage-gate process which incorporates a comprehensive, scalable scope and change management program.

12. Develop and implement a robust change management process to manage changes that may lead to cost and schedule overruns and other stakeholder impacts.

Schedule Management

13. Develop and implement a schedule management process that is integrated with cost, change and risk management and can be scaled to project Tiers.

Cost Management

14. Develop and implement cost management tools, templates and reporting requirements that are scalable based on the Project Tiers.

Quality assurance and Quality control

15. Develop and implement a commissioning process to validate requirements and facilitate the transition to operations.

16. Develop and implement formal Quality Assurance and Quality Control procedures.

Procurement, contracts and claims management

17. Develop and implement an issue escalation process, which includes early engagement of legal resources for potential disputes.

(Note: effective claim management relies on the implementation of key recommendations related to project governance and accountability, communications and reporting and scope and change management.)

STAFF REPORT

Systems and document management

18. Develop and implement document archiving requirements including lessons learned, for Capital projects.

Management's Response

It is apparent that given the increasing complexity of the City's projected capital portfolio, we have grown to a level that requires a systematic, corporate wide approach and method of project categorization aligned to key risk management procedures and practices.

The findings of Deloitte's review reinforced the need to ensure standardization for systems, processes and documents across all service areas and echoed the organizational findings provided by Western Management Consultants Organizational Assessment (2013).

In response, evolving our program/project management has been a key priority in for senior management. This function is evolving and receives the direct support of the Executive Team. Examples of this work are seen in the documents shared with Council as it evolves its Shared Agenda.

With the addition of Deloitte's Capital Projects Risk Assessment management is confident it has a practical and defined path to move forward.

Management is appreciative of Deloitte's review, analysis and proposed 'go forward' recommendations.

The Executive Team has fully reviewed the findings and is in full agreement with all recommendations.

Work is underway to action all 18 recommendations focusing on the first three 'key' actions in Q2-4, 2015.

Specifically, through the 2015 re-organization, we have taken the steps to establish a Project Management Office (PMO) within Corporate Services. During the third and fourth quarters it will continue work to:

- 1. Develop and implement a Capital projects portfolio management framework that identifies projects as Tier #1, 2 or 3;*
- 2. Specify standards, guidelines and principles for the delivery of Capital projects, along with implementing governance and decision support requirements for each category of project Tier at each stage in the project lifecycle;*

STAFF REPORT

3. *Develop and implement a formal risk management approach that is scalable to project Tier.*

A management plan to address the remaining 15 actions will be provided to senior management in Q4, 2015.

Staff is committed to providing annual progress reports through the Corporate Services Standing Committee for information. Internal Audit will continue to participate directly in undertakings involving Enterprise Risk Management.

CORPORATE STRATEGIC PLAN

1.1 Engage employees through excellence in leadership

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

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

DEPARTMENTAL CONSULTATION

Office of the CAO ~ Internal Audit ~ Project Management Office
Executive Team

COMMUNICATIONS

A communications plan to ensure the roll out of expected actions in response to the recommendations is underway and will be shared broadly with all capital project managers, sponsors and Service Areas.

This report and its presentation is one of three deliverables the Mayor and CAO committed to deliver related to the construction of City Hall and its subsequent litigation. The Office of the CAO and the City as a whole is committed to transparency with respect to its management of complex capital projects.

ATTACHMENTS

ATT-1 Deloitte Capital Projects Risk Assessment: Executive Summary

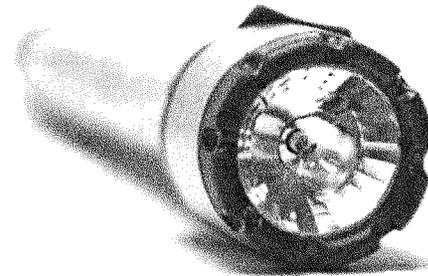


Approved & Recommended By

Ann Pappert
Chief Administrative Officer
519 822 1260 ext 2220
ann.pappert@guelph.ca



Capital Projects Risk Assessment- Executive Summary City of Guelph



March 3rd, 2015

Scope, objectives, and approach

Scope:

- Deloitte was engaged to perform an objective and initial assessment of the City of Guelph's approach to managing project risk. The purpose of the assessment was to identify risk areas within the current approach, highlighting key gaps and provide recommendations.
- It is understood that this assessment supports the City of Guelph's commitment to address issues identified during the construction of the new City Hall and subsequent dispute with Urbacon.

Objectives:

- Understanding project portfolio and the current project management and governance practices;
- Assessing current project risk management practices; and
- Assessing the appropriateness, to the extent possible, of project risk management and governance tools and templates for the size and scale of the project portfolio including those performed under multiple partner models.

Approach:

- Deloitte conducted interviews with 15 project personnel and stakeholders at the departmental and corporate levels, and reviewed available project documentation to understand the size, scale and risk profile of the projects within the project portfolio, to conduct an initial assessment of current project management policies, procedures, processes and controls utilized by the City of Guelph.
- Deloitte utilized a Capital Projects risk framework which included the following focus areas:



Health & Safety



Project Governance & Accountability



Communications & Reporting



Risk & Issue Management



Resource Management



Scope and Change Management



Scheduling Management



Cost Management



Quality Assurance/ Quality Control



Procurement, Contracts & Claims Management



Systems & Document Management

Capital Projects portfolio

- The first step in the risk assessment was to understand the current and future project portfolio. Through discussions with management, and a review of budget information it was determined that:
 - The City of Guelph’s project portfolio comprises over 270 projects that are categorized as operational, departmental and corporate projects.
 - Over the next 10 years, the City of Guelph is planning to deliver these projects at a cost in excess of \$650,000,000.
 - The project portfolio has grown to a level where it is appropriate to revise the method of categorization and align appropriate project and risk management procedures and practices.
- Through analysis of the projected 10-year project portfolio, three distinct tiers of projects were identified. These tiers are described by the criteria contained in the following chart:

Tier 1	Tier 2	Tier 3
<ul style="list-style-type: none"> ▪ Includes large capital projects with budgets often exceeding \$10,000,000 which are driven by the long-term Master Plan. ▪ Projects are high risk and complex and could have a significant impact on the continuity of operations. ▪ Involve multiple stakeholder groups ▪ Have significant reputational considerations. 	<ul style="list-style-type: none"> ▪ Includes medium-sized capital projects with budgets between \$1,000,000 and \$10,000,000 which are typically driven by the long-term Master Plan. ▪ Tier 2 projects are typically departmental and involve a medium level of risk and complexity. ▪ Generally led by an internal Project Manager 	<ul style="list-style-type: none"> ▪ Includes smaller capital projects with budgets less than \$1,000,000. ▪ Tier 3 projects are normally related to operations and maintenance activities. ▪ Projects are executed by Departments using internal PM’s and are usually short-term, routine and have a low risk and complexity profile.

Key observations and recommendations

During this engagement, there were several recurring observations with respect to the overall project management and governance environment at the City of Guelph:



There are very few project management and governance processes and procedures in place.



While some of the tools and practices presented could form a solid basis for project management standardization, these are overshadowed by a weak procedural framework and undocumented processes and practices.



Leadership and project delivery personnel would benefit from a strengthened focus on project management standards and principles.



Many participants demonstrated a willingness to improve and share leading practices with their colleagues. Overall, the City of Guelph displays an appreciation for the importance of strengthening the Capital Project governance environment.

Of the 18 recommendations outlined in the report, the following should be addressed in the near term as they address risks that could impair the City of Guelph's ability to effectively deliver its project portfolio:



Develop and implement a Capital Projects portfolio management framework that identifies projects as Tier 1, 2 or 3 based on their risk and complexity profile, sponsor group or individual, delivery method, impact on the continuity of operations and reputational importance.



Establish a Project Management Office that will specify standards, guidelines and principles for the delivery of Capital Projects, along with implementing governance and decision support requirements for each category of project Tier at each stage of the project lifecycle.



Develop and implement a formal risk management approach that is scalable to project Tier and aligned with a key milestone/multiple decision point framework (known as stage-gates), business case requirements and the corporate enterprise risk management program.

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.

STAFF REPORT



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
519-822-1260 x 3373
ruvani.shaubel@guelph.ca

A handwritten signature in cursive script that reads "Ann Pappert".

Approved By

Ann Pappert
Chief Administrative Officer
519-822-1260 x 2221
ann.pappert@guelph.ca

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

