



*Office of the Auditor General / Bureau du vérificateur général*

**AUDIT OF GOVERNANCE AND COMPLIANCE WITH COMMUNITY  
FUNDING SERVICE AGREEMENT OF THE  
BANFF AVENUE COMMUNITY HOUSE**

**2008**

**VÉRIFICATION DE GOUVERNANCE ET CONFORMITÉ AVEC  
L'ENTENTE DE SERVICES POUR LE FINANCEMENT DE LA MAISON  
COMMUNAUTAIRE BANFF**



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## **EXECUTIVE SUMMARY**

### ***Introduction***

In November 2007, Council approved an expanded mandate for the Office of the Auditor General (OAG). This revised mandate authorized the OAG to conduct audits of any recipients of City of Ottawa grants, whether direct funding or in-kind services. In 2008, one of the recipient organizations selected for an audit was the Banff Avenue Community House (BACH), located at 2084 A & B Banff Avenue.

### ***Background***

BACH is 1 of 16 Community Houses in the Ottawa area. It was formed to meet many of the needs of the residents of the social housing development in which it is located. It entered into a Community Funding Service Agreement with the City of Ottawa for the period December 1, 2006 to November 30, 2009. Under this agreement the City of Ottawa agreed to provide annual conditional funding payments of \$60,147 subject to City Council's annual approval of the City budget.

### ***Audit Objectives***

The objectives of the audit were to determine whether:

1. BACH maintains appropriate management practices and controls to ensure adherence to the funding service agreement with the City of Ottawa; and,
2. The Executive Committee of the Board follows governance practices that provide effective direction and support based on the Office of the Auditor General's standard Governance Audit Criteria recognizing that the organization is relatively small and volunteer-based.

### ***Audit Scope***

In addition to the assessment against the OAG standard Governance Audit Criteria, the audit considered BACH's compliance with the February 12, 2007 Community Funding Service Agreement and how funds received from the City of Ottawa were used during the period January 1, 2007 to December 31, 2007.

The compliance portion of the audit was conducted during the month of August 2008 at BACH's offices. The governance portion of the audit was conducted during the month of November 2008.

## **Summary of Key Findings**

- The funding contribution was applied to the services and activities as set out in the agreement with the exception of a payment of \$1,511 for supplies that did not relate to the services and activities supported by the City of Ottawa.
- Included in coordination was an amount of \$3,075 paid to the administrative assistant who was engaged as a contract worker. However, this amount was traced to the payroll records and, as such, there could be confusion as to whether this person is an employee or should be considered self-employed for Canada Revenue purposes.
- Advances to employees should be accounted for as assets and not as expenses.
- The amount relating to the City of Ottawa supported administration assistance and operational costs was combined with funds received from other sources and not shown separately.
- Generally, BACH follows the Operational Principles and Guidelines Manual of a Community House. However not all guidelines are being followed.
- While it is acknowledged that many grant recipient organizations are relatively small and in many cases volunteer based, there are some fundamental governance principles that the City needs to have in place to ensure adequate management and oversight of City funding. The intention is not to overburden recipients with bureaucracy and inflexible rules but rather to put in place basic governance practices to protect the interests of both the City and the recipient organization.

## **Recommendations and Responses**

### **Recommendation 1**

**That the BACH Manager ensure that workers are appropriately treated as employees or self-employed in compliance with the Canada Revenue Agency publication *Employee or Self-Employed*.**

#### **Management Response**

In 2010 all positions funded by the City of Ottawa, Community Funding will be employees of the Banff Avenue Community House and not contracted as self employed.

### **Recommendation 2**

**That BACH utilize the bilingual formulation for acknowledgement as specified in the agreement.**

### **Management Response**

The Board of Directors has continued to struggle to obtain in-kind translation services (since this is a costly expense) to no avail. We will continue to seek out this support.

### **Recommendation 3**

**That advances to employees be accounted for as assets and when the expenditures are made the amounts should be charged to the advance and the expenses recorded at that time.**

### **Management Response**

The Community House Director has implemented a petty cash float to rectify the advances to employees. The Board will ensure all assets are accounted as assets. When expenditures are made the amounts should be charged to the advance and the expenses recorded at that time.

### **Recommendation 4**

**That BACH account separately for all funds received from the City of Ottawa.**

### **Management Response**

The Board of Directors will ensure that all City of Ottawa categories be separated in the ledger.

### **Recommendation 5**

**That BACH ensure it is fully complying with the health and safety requirements of the Occupational Health and Safety and Workplace Safety and Insurance Act and the requirements of the Operational Principles and Guidelines Manual.**

### **Management Response**

The Board of Directors will ensure that BACH is fully compliant with the health and safety requirements of the Occupational Health and Safety and Insurance Act. The Board will be closely reviewing the operational Principles and Guidelines Manual, specifically the health and safety section to gear it more to the operation of the Banff Avenue Community House. This will be conducted in 2010.

### **Recommendation 6**

**That, in accordance with Article 7 of the Banff Avenue Community House Board Constitution, an additional resident of the Banff Community be appointed to the Executive Committee.**

### **Management Response**

The Board of Directors will continue to seek out potential community members to join the Board.

### **Recommendation 7**

**That ongoing training be provided for members of the Executive Committee on issues relating to their governance responsibilities.**

### **Management Response**

The Board of Directors does not have the funds for Board development at this time. However, we will continue to ensure all members of the Board receive adequate orientation and are made aware of their governance responsibility.

### **Recommendation 8**

**That the Executive Committee establish a process to conduct an annual self-evaluation of its performance and of individual member performance.**

### **Management Response**

The Board of Directors will inquire about getting the training needed to set up an evaluation process of the performance indicators and of individual member performance.

### **Recommendation 9**

**That the Executive Committee present its budget of all expenditures to the members at the Annual General Meeting for their approval.**

### **Management Response**

The Treasurer of the Board will present its budget and all expenditures to the members at the AGM for approval. The Board will continue to consult with the House Director regarding revenues and expenses at Board meetings.

### **Recommendation 10**

**That the objectives established by the Executive Committee be more fully developed and that performance indicators be established to measure success in achieving the objectives.**

### **Management Response**

The Board of Directors will seek the support of local resources to better assist with the organization's objectives. As well performance indicators will be established to measure success in achieving the objectives. There is no model to assist with the development of this tool and measurement process at this time however.

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### **Recommendation 11**

**That the Board establish an in camera meeting policy similar to that of Ottawa City Council.**

#### **Management Response**

The Board of Directors is in the process of establishing an in camera policy similar to that of the City of Ottawa Council.

### **Recommendation 12**

**That the Executive Committee ensure there is an individual who is qualified to assume the responsibilities of House Director, in the event the position becomes vacant.**

#### **Management Response**

The Board of Directors has implemented a personnel organizational chart along with a business plan to respond to a vacancy/absentee should the House Director's position suddenly become vacant. The senior staff person would step in for the immediate interim until the position of House Director could be properly posted as required by our policies.

### ***Conclusion***

The audit has revealed some areas where there is a lack of compliance with Community Funding Service Agreement. Most significant are the areas where compliance with the Occupational Health and Safety and Workplace Safety and Insurance Act must be ensured. In addition, some of the Governance criteria have not been met. These areas should be examined bearing in mind the small size and limited resources of the organization and the desire to avoid overburdening it with bureaucracy and inflexible rules.

### ***Acknowledgement***

We wish to express our appreciation for the cooperation and assistance afforded the audit team by the management of the Banff Avenue Community House.



## **RÉSUMÉ**

### ***Introduction***

En novembre 2007, le conseil municipal a approuvé un mandat élargi pour le Bureau du vérificateur général (BVG). Ce mandat révisé autorisait le BVG à procéder à la vérification de tous les bénéficiaires de subventions de la Ville d'Ottawa, que ce soit sous forme de financement direct ou de services en nature. En 2008, un des organismes bénéficiaires choisis pour vérification était la Maison communautaire de Banff, située au 2084, avenue Banff, A et B.

### ***Contexte***

La Maison communautaire de Banff est l'une des 16 maisons communautaires de la région d'Ottawa. Sa fondation avait pour but de répondre à plusieurs des besoins des résidents de l'ensemble de logements sociaux où elle est située. Elle a conclu avec la Ville d'Ottawa une entente de services pour le financement communautaire couvrant la période du 1<sup>er</sup> décembre 2006 au 30 novembre 2009. Aux termes de cet accord, la Ville d'Ottawa s'est engagée à fournir un financement conditionnel de 60 147 \$ par an, sous réserve de l'approbation annuelle du budget municipal par le Conseil municipal.

### ***Objectifs de la vérification***

Les objectifs de la vérification consistaient à déterminer si :

1. La Maison communautaire de Banff maintient des pratiques et des contrôles de gestion adéquats pour assurer le respect de l'entente de services pour le financement avec la Ville d'Ottawa; et,
2. Le comité exécutif du conseil d'administration suit des pratiques en matière de gouvernance assurant une saine gestion et un soutien adéquat conformément aux critères de vérification normalisés du BVG en matière de gouvernance, compte tenu de la taille modeste de l'organisation et de son caractère bénévole.

### ***Portée de la vérification***

En plus de l'évaluation par rapport aux critères normalisés de vérification du BVG en matière de gouvernance, la vérification portait sur la conformité de la Maison communautaire de Banff à l'entente de services pour le financement communautaire du 12 février 2007 et l'utilisation des fonds reçus de la Ville d'Ottawa entre le 1<sup>er</sup> janvier et le 31 décembre 2007.

Le volet conformité de la vérification a été effectué au mois d'août 2008 aux bureaux de la Maison communautaire de Banff. Le volet gouvernance de la vérification remonte au

mois de novembre 2008.

## **Résumé des principales constatations**

- La contribution au financement a été appliquée aux services et activités prévus dans l'entente, sauf pour un paiement de 1 511 \$ pour des fournitures qui sont sans rapport avec les services et activités financés par la Ville d'Ottawa.
- La coordination comprend le paiement d'une somme de 3 075 \$ à l'adjoint administratif employé à titre intérimaire. Cependant, cette somme est consignée dans les dossiers du livre de paie, ce qui risque de créer de la confusion quant au statut de cette personne comme employé ou travailleur indépendant aux fins de Revenu Canada.
- Les avances consenties aux employés doivent être comptabilisées au titre de l'actif et non des dépenses.
- Le montant concernant le soutien administratif et les frais de fonctionnement financés par la Ville d'Ottawa a été combiné à des fonds reçus d'autres sources et non consigné à part.
- Généralement, la Maison communautaire de Banff suit le Guide des principes et lignes directrices de fonctionnement d'une maison communautaire. Toutefois, toutes les directives ne sont pas respectées.
- Tout en reconnaissant que de nombreux organismes bénéficiaires de subventions sont d'envergure relativement modeste et dans bien des cas, composés de bénévoles, la Ville doit se doter de quelques principes fondamentaux de gouvernance afin d'assurer la saine gestion et la surveillance adéquate du financement municipal. L'intention n'est pas de faire crouler les bénéficiaires sous le poids de la paperasserie et de règles inflexibles, mais plutôt de mettre en place des pratiques de base en matière de gouvernance afin de protéger les intérêts de la Ville et de l'organisation bénéficiaire.

## **Recommandations et réponses**

### **Recommandation 1**

**Que le gestionnaire de la Maison communautaire de Banff s'assure que les membres du personnel sont traités comme des employés ou des travailleurs indépendants conformément à la publication de Revenu Canada intitulée *Employé ou travailleur indépendant*.**

### **Réponse de la direction**

En 2010, tous les postes financés par Financement communautaire de la Ville d'Ottawa seront des employés de la Maison communautaire Banff et non des

travailleurs indépendants.

## **Recommandation 2**

**Que la Maison communautaire de Banff utilise la formulation d'accusé de réception dans les deux langues, comme le précise l'entente.**

### **Réponse de la direction**

Le conseil d'administration s'est efforcé de façon continue d'obtenir des services de traduction bénévoles (car il s'agit de dépenses coûteuses), sans succès. Nous continuerons à en chercher.

## **Recommandation 3**

**Que les avances aux employées soient comptabilisées au titre de l'actif et que, au moment des dépenses, les sommes soient facturées à l'avance et les dépenses enregistrées à ce moment-là.**

### **Réponse de la direction**

Le directeur de la Maison communautaire a instauré un système de petite caisse à fonds fixe pour rectifier les avances consenties aux employés. Le conseil d'administration veillera à ce que tous les éléments d'actif soient consignés comme tels. Lors des dépenses, les montants doivent être facturés à l'avance et les dépenses enregistrées à ce moment-là.

## **Recommandation 4**

**Que la Maison communautaire de Banff comptabilise tous les fonds reçus de la Ville d'Ottawa à part.**

### **Réponse de la direction**

Le conseil d'administration s'assurera que toutes les catégories de la Ville d'Ottawa sont distinctes dans le grand livre.

## **Recommandation 5**

**Que la Maison communautaire de Banff s'assure qu'elle est entièrement conforme aux exigences en matière de santé et sécurité de la *Loi sur la santé et la sécurité au travail*, la *Loi sur la sécurité professionnelle et l'assurance contre les accidents du travail* et les exigences du Guide des principes et lignes directrices de fonctionnement.**

### **Réponse de la direction**

Le conseil d'administration s'assurera que la Maison communautaire de Banff est entièrement conforme aux exigences en matière de santé et sécurité de la *Loi sur la*

*santé et la sécurité au travail et la Loi sur la sécurité professionnelle et l'assurance contre les accidents du travail. Le conseil d'administration étudiera attentivement le Guide des principes et lignes directrices de fonctionnement, et notamment le volet santé et sécurité, afin de mieux l'adapter à l'administration de la Maison communautaire de Banff. Ce travail sera effectué en 2010.*

### **Recommandation 6**

**Que, conformément à l'article 7 de la Constitution de la Maison communautaire de Banff, un autre résident de la collectivité de Banff soit nommé au comité exécutif.**

#### **Réponse de la direction**

Le conseil d'administration poursuivra sa recherche afin d'identifier un membre de la collectivité apte à siéger au conseil.

### **Recommandation 7**

**Qu'une formation soutenue soit offerte aux membres du comité exécutif sur les questions touchant leurs responsabilités en matière de gouvernance.**

#### **Réponse de la direction**

Le conseil d'administration ne dispose pas des fonds nécessaires au perfectionnement des membres du conseil pour le moment. Toutefois, nous continuerons de faire en sorte que tous les membres du conseil reçoivent une orientation adéquate et soient informés de leur responsabilité en matière de gouvernance.

### **Recommandation 8**

**Que le comité exécutif instaure un processus visant à effectuer une auto évaluation annuelle de son rendement et du rendement individuel de chacun de ses membres.**

#### **Réponse de la direction**

Le conseil d'administration s'informerait au sujet de la possibilité d'offrir la formation nécessaire pour instaurer une évaluation des indicateurs de rendement et du rendement de chacun des membres.

### **Recommandation 9**

**Que le comité exécutif présente aux membres, pour leur approbation, son budget complet des dépenses à l'Assemblée générale annuelle.**

#### **Réponse de la direction**

Le trésorier du conseil d'administration présentera son budget et toutes les dépenses aux membres pour leur approbation à l'AGA. Le conseil d'administration

poursuivra la consultation avec le directeur concernant les revenus et les dépenses lors des réunions du conseil d'administration.

### **Recommandation 10**

**Que les objectifs établis par le comité exécutif soient plus élaborés et que des indicateurs de rendement soient établis afin de mesurer le succès dans l'atteinte des objectifs.**

#### **Réponse de la direction**

Le conseil d'administration demandera l'aide de ressources locales afin de contribuer à l'atteinte des objectifs organisationnels. Des indicateurs de rendement seront aussi établis pour mesurer le succès dans l'atteinte des objectifs. À l'heure actuelle toutefois, il n'existe pas de modèle qui facilite l'élaboration de cet outil et de ce processus de mesure.

### **Recommandation 11**

**Que le conseil d'administration établisse une politique sur les réunions à huis clos semblable à celle du conseil municipal d'Ottawa.**

#### **Réponse de la direction**

Le conseil d'administration est en train d'établir une politique sur les réunions à huis clos semblable à celle du Conseil municipal d'Ottawa.

### **Recommandation 12**

**Que le comité exécutif s'assure qu'il y a un responsable qualifié pour assumer les responsabilités de gestionnaire au cas où le poste deviendrait vacant.**

#### **Réponse de la direction**

Le conseil d'administration a mis en œuvre un organigramme du personnel accompagné d'un plan d'action afin de répondre à une offre d'emploi ou à une ouverture, pour le cas où le poste de gestionnaire de la maison deviendrait vacant sans préavis. Le cadre supérieur assurerait l'intérim jusqu'à ce que le poste de gestionnaire de la maison puisse être affiché conformément aux exigences de nos politiques.

## ***Conclusion***

La vérification a permis de déceler certains points de non-conformité à l'entente de services pour le financement communautaire. Les plus importants sont les secteurs où la conformité à la *Loi sur la santé et la sécurité au travail* et la *Loi sur la sécurité professionnelle et l'assurance contre les accidents du travail* doit être assurée. De plus, certains des critères de vérification de la gouvernance n'ont pas été satisfaits. Ces

points doivent être examinés, compte tenu de la taille modeste et des ressources restreintes de l'organisation et du désir d'éviter de la surcharger sous des processus bureaucratiques et des règles inflexibles.

### ***Remerciements***

Nous tenons à remercier la direction de la Maison communautaire de Banff pour l'assistance et la coopération dont elle a fait preuve envers l'équipe de vérification.

## **1 Introduction**

In November 2007, Council approved an expanded mandate for the Office of the Auditor General (OAG). This revised mandate authorized the OAG to conduct audits of any recipients of City of Ottawa grants, whether direct funding or in-kind services. In 2008, one of the recipient organizations selected for an audit was the Banff Avenue Community House (BACH), located at 2084 A & B Banff Avenue.

## **2 Background**

BACH is 1 of 16 Community Houses in the Ottawa area. It was formed to meet many of the needs of the residents of the social housing development in which it is located. It entered into a Community Funding Service Agreement with the City of Ottawa for the period December 1, 2006 to November 30, 2009. Under this agreement the City of Ottawa agreed to provide annual conditional funding payments of \$60,147 subject to City Council's annual approval of the City budget.

## **3 Audit Objectives**

The objectives of the audit were to determine whether:

1. BACH maintains appropriate management practices and controls to ensure adherence to the funding service agreement with the City of Ottawa; and,
2. The Executive Committee of the Board follows governance practices that provide effective direction and support based on the Office of the Auditor General's standard Governance Audit Criteria recognizing that the organization is relatively small and volunteer-based.

## **4 Audit Scope**

In addition to the assessment against the OAG standard Governance Audit Criteria, the audit considered BACH's compliance with the February 12, 2007 Community Funding Service Agreement and how funds received from the City of Ottawa were used during the period January 1, 2007 to December 31, 2007.

The compliance portion of the audit was conducted during the month of August 2008 at BACH's offices. The governance portion of the audit was conducted during the month of November 2008.

## **5 Audit Criteria**

The audit criteria for the examination of compliance with the provisions of the Community Funding Service Agreement were developed based on the requirements of

the agreement. Compliance with the agreement was examined against specific criteria in the following categories:

- Use of Funds,
- Recognition of the City,
- City is not an Employer,
- Reporting Requirements,
- Audit Requirements,
- Preservation of Assets,
- Residual Funds,
- Non-Assignment,
- Indemnity and Liability,
- Insurance,
- Occupational Health and Safety and Workplace and Insurance Act,
- Territorial Delivery of Services,
- Payment of Funding Contribution, and,
- Liaising Relationship and Communication between the City and BACH.

Current governance practices were assessed against specific criteria in the following categories (a complete list of these criteria is presented in the Observations section of this report):

- Responsibilities, Roles and Duties of Board Members,
- Board Membership, Composition and Selection,
- Board Evaluation Process,
- Board Meetings and Information, and,
- Strategic Planning and Performance Measurement.

## **6 Audit Methodology**

The records of BACH relating to the Community Funding Service Agreement (policies and guidelines, financial records, documentation supporting expenses, annual report, annual financial statements, promotional material and website) were examined. At the conclusion of the fieldwork an exit interview with the Building Manager was held in BACH's offices on August 20, 2008.

The records of BACH relating to its governance practices (constitution, minutes of the Executive Committee of the Board, minutes of the Annual General Meeting, Banff Avenue Community House Operational Principles and Guidelines) were reviewed. Discussions were held with the President and House Director of BACH and information was obtained through email communication with representatives of Cultural Services and Community Funding of the City of Ottawa.

## 7 Observations and Recommendations

### 7.1 Compliance With Community Service Funding Agreement

#### 7.1.1 Use of Funds

The funding contribution was applied to the services and activities as set out in the agreement with the exception of a payment of \$1,511 for supplies that did not relate to the services and activities supported by the City of Ottawa.

Summary of Community Funding and Expenditures				
	Coordination	Administration / Operational Costs	Youth	Total
<b>Revenues</b>				
Community Funding	\$48,295	\$7,503	\$12,818	\$68,616
<b>Expenditures</b>	\$55,860	\$4,290	\$10,481	\$70,632
Adjustment: Ineligible Costs	\$ -1,511			\$ -1,511
Total Expenditures	\$54,349	\$4,290	\$10,481	\$69,121
Excess Expenditures over Revenues	\$ 6,055	\$-3,213	-\$2,336	\$ 505

The total expenditures applied to the services and activities outlined in the Community Funding Service Agreement exceeded the funding received under the agreement by \$505.

Included in Coordination was an amount of \$3,075 paid to the administrative assistant who was engaged as a contract worker. However, this amount was traced to the payroll records and, as such, there could be confusion as to whether this person is an employee or should be considered self-employed for Canada Revenue purposes.

#### **Recommendation 1**

**That the BACH Manager ensure that workers are appropriately treated as employees or self-employed in compliance with the Canada Revenue Agency publication *Employee or Self-Employed*.**

### **Management Response**

In 2010 all positions funded by the City of Ottawa, Community Funding will be employees of the Banff Avenue Community House and not contracted as self employed.

#### **7.1.2 Recognition of the City**

BACH notes in the brochure for Programs and Services for fall 2007 that the Children's Drop-In (7- 12 years of age) is done in partnership with the City of Ottawa. The Youth Homework Program (Sr.) (12 -16 years of age) and Youth Drop-In Program (12-16 years) has funding provided by the City of Ottawa, Community Funding. Partial funding for the Youth Council (12 & up) was provided by the City of Ottawa, Community Funding.

On the BACH website the City of Ottawa is listed as a sponsor. In the Programs and Services section it is noted that the Youth Programs/Services have funding provided by the City of Ottawa and Community Funding.

BACH did not use the City's bilingual formulation as outlined in the agreement in its promotional material or on its website.

### **Recommendation 2**

**That BACH utilize the bilingual formulation for acknowledgement as specified in the agreement.**

### **Management Response**

The Board of Directors has continued to struggle to obtain in-kind translation services (since this is a costly expense) to no avail. We will continue to seek out this support.

#### **7.1.3 Reporting Requirements**

The 2008 Funding Submission was filed with the City of Ottawa on September 21, 2007 as required by the agreement. It contained all the required documents with the exception of audited financial statements. The financial statements that were filed for the 2008 funding submission had not been audited, however, the financial statements prepared for the 2007 fiscal year were audited.

#### **7.1.4 Audit Requirements**

BACH kept proper books of account and records of the financial management of the funds provided under the agreement in accordance with generally accepted business and accounting practices with the exception of its accounting for advances to employees. Advances to employees should be accounted for as assets and not as

expenses. When expenditures are made from the advances, the amounts should be charged against the asset and the expenses recorded at that time.

Currently, an expense is recorded when the funds are advanced to the employee. At the end of the year an adjustment is made to account for the difference between the total advances made during the year and the total amounts spent during the year. This adjustment results in either an amount being deposited in the bank (when the amounts spent are less than the total advances) or an additional amount being paid to the employee (when the amount spent exceeds the advances).

### **Recommendation 3**

**That advances to employees be accounted for as assets and when the expenditures are made the amounts should be charged to the advance and the expenses recorded at that time.**

#### **Management Response**

The Community House Director has implemented a petty cash float to rectify the advances to employees. The Board will ensure all assets are accounted as assets. When expenditures are made the amounts should be charged to the advance and the expenses recorded at that time.

### **7.1.5 Preservation of Assets**

A review of the financial records confirmed that no assets costing more than \$5,000 were purchased with the funding contribution during 2007.

### **7.1.6 Residual Funds**

No residual funds existed from the 2007 Funding Contribution since the total expenditures for the program supported by the City of Ottawa exceeded the Funding Contribution of the City of Ottawa by \$505.

BACH's financial records show that residual funds existed at January 1, 2007 in the amount of \$20,475. An amount of \$9,391 related to coordination, \$959 related to the City of Ottawa supported Youth program and \$10,125 related to overhead. The amount shown in overhead related to all of BACH's programs. The amount relating to the City of Ottawa supported administration assistance and operational costs was combined with funds received from other sources and not shown separately.

### **Recommendation 4**

**That BACH account separately for all funds received from the City of Ottawa.**

### **Management Response**

The Board of Directors will ensure that all City of Ottawa categories be separated in the ledger.

#### **7.1.7 Insurance**

The comprehensive general liability insurance policy in effect for 2007 included the coverages required by the Community Funding Service Agreement.

#### **7.1.8 Occupational Health and Safety and Workplace Safety and Insurance Act**

Generally, BACH follows the guidelines relating to occupational health and safety and workplace safety included in the Operational Principles and Guidelines Manual of a community house. However, a review of a sample of the guidelines indicated that not all guidelines are being followed. For example:

- A schedule of fire drills and a Fire Drill Log Book was not kept up-to-date;
- Not all staff involved with children/youth have signed a Behaviour Management Agreement, a Childcare Room Update record is not maintained;
- A record of the checks of the first aid kits is not kept; and,
- There was no certificate posted indicating that the House Director had taken the Workplace Hazardous Material Information System training course as required by the manual.

### **Recommendation 5**

**That BACH ensure it is fully complying with the health and safety requirements of the Occupational Health and Safety and Workplace Safety and Insurance Act and the requirements of the Operational Principles and Guidelines Manual.**

### **Management Response**

The Board of Directors will ensure that BACH is fully compliant with the health and safety requirements of the Occupational Health and Safety and Insurance Act. The Board will be closely reviewing the operational Principles and Guidelines Manual, specifically the health and safety section to gear it more to the operation of the Banff Avenue Community House. This will be conducted in 2010.

#### **7.2 Governance Practices**

Since the creation of the Office of the Auditor General in 2004, a number governance audits have been conducted using a standard set of audit criteria developed by the OAG. These criteria were used as part of this audit to assess the governance practices at BACH.

It is acknowledged that many grant recipient organizations are relatively small and in many cases volunteer based. However there are some fundamental governance principles that the City needs to have in place to ensure adequate management and oversight of City funding. The intention is not to overburden recipients with bureaucracy and inflexible rules but rather to put in place basic governance practices to protect the interests of both the City and the recipient organization.

The table below summarizes the results of this assessment followed by more specific observations and recommendations.

Audit Criteria	Y/N	Notes
<b>1. Are the responsibilities, roles, and duties of Board Members clearly defined and understood, including:</b>		
<ul style="list-style-type: none"> <li>Have individual Board member duties and responsibilities been clearly defined?</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Do members of the Board fully understand their responsibilities?</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Has the Board established clear policies and procedures to guide it in carrying out its role?</li> </ul>	N	No policies but guided by BACH Constitution
<ul style="list-style-type: none"> <li>Is there a transparent and clear structure of responsibility that differentiates between what the Board can do and what managers and employees can do?</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Does the Board and the sub-committees have clearly defined terms of reference?</li> </ul>	N	No terms of reference, No sub-committees
<ul style="list-style-type: none"> <li>Does the Board have appropriate communications with Council?</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Does the Board exercise a sufficiently independent voice that is not unduly influenced by senior management?</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Does the Board operate in an atmosphere of openness and trust?</li> </ul>	Y	
<b>2. Is there appropriate Board membership, composition, and selection, including:</b>		
<ul style="list-style-type: none"> <li>Have Board member qualifications and competencies been clearly articulated?</li> </ul>	Y	

Audit Criteria	Y/N	Notes
<ul style="list-style-type: none"> <li>Have the committees that have been established to assist the Board sufficient to ensure adequate and effective governance?</li> </ul>	N	No committees
<ul style="list-style-type: none"> <li>Does the Board have at least one member with financial expertise, including knowledge of accounting practices, financial controls, and financial analysis?</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Does the Board have a search or nominating committee that is responsible for selecting Board members?</li> </ul>	N	
<ul style="list-style-type: none"> <li>Is the orientation for Board members adequate?</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Is the ongoing training for Board members adequate?</li> </ul>	N	No ongoing training
<p><b>3. Is the Board evaluation process adequate, including:</b></p>		
<ul style="list-style-type: none"> <li>Have annual objectives and/or performance indicators for the Board been established?</li> </ul>	Y	Annual objectives, no performance indicators
<ul style="list-style-type: none"> <li>Is there a process for and annual self-evaluation of the Board's and/or individual member performance?</li> </ul>	N	
<ul style="list-style-type: none"> <li>Is there a regular review undertaken regarding the quality of the agenda and minutes?</li> </ul>	N	
<ul style="list-style-type: none"> <li>Does the Board periodically assess its approach on how it reviews financial and budget information?</li> </ul>	N	Budget review process exists but no periodic assessment of it
<ul style="list-style-type: none"> <li>Are there processes in place for external audit or review?</li> </ul>	Y	
<p><b>4. Is there appropriate conduct of Board meetings and recording information, including:</b></p>		No in camera meeting policy
<ul style="list-style-type: none"> <li>Do meeting agendas focus on strategic, substantive issues?</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Do meetings afford Board members adequate opportunity to provide meaningful input and provide a forum for raising and discussing significant issues?</li> </ul>	Y	

Audit Criteria	Y/N	Notes
<ul style="list-style-type: none"> <li>Is the quality and timeliness of information provided to Board members adequate?</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Are minutes of the previous meeting approved at the following meeting?</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Is responsibility for any required action clearly indicated in the minutes?</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Are the Board meetings well attended by Board members?</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Is there a high level of member participation at Board meetings?</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Is there an adequate process for recording, tracking, and following up on an interest?</li> </ul>	Y	
<p><b>5. Does the Board play an adequate role in strategic planning and performance measurement, including:</b></p>		
<ul style="list-style-type: none"> <li>Does the Board have an adequate role in budget direction?</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Does the Board have an adequate role in strategic planning?</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Does the Board have an adequate role in risk management?</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Does the Board play a role in setting “tone at the top”?</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Does the Board have an adequate role in performance measurement?</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Is there an effective process for evaluating the performance of the CEO/President/Director/Manager?</li> </ul>	N	
<ul style="list-style-type: none"> <li>Is there an effective process for succession planning for senior staff?</li> </ul>	N	

### **7.2.1 Responsibilities, Roles and Duties of Board Members**

The responsibilities, roles and duties of Board Members including the individual members of the Executive Committee have been defined in the Banff Avenue Community House Constitution. Copies of the constitution are made available to Board Members. Specific policies and procedures have not been established to guide the Board in carrying out its role however the *Banff Avenue Community House Operational Principles and Guidelines* do provide guidance on financial management practices and the hiring of a House Director.

There is a transparent and clear structure of responsibility that differentiates between what the Board can do and what the House Manager can do. The Banff Avenue Community House Board Constitution outlines the duties and responsibilities of the Board as well as the House Manager. Section II of the Banff Avenue Community House Operational Principles and Guidelines contains the job description of the House Director.

### **7.2.2 Board Membership, Composition and Selection**

The Board Member and Executive Committee member qualifications are articulated in the Banff Avenue Community House Board Constitution. The constitution requires that four of the ten members of the Executive Committee be residents of the Banff Community. At present, there are only three members of the Executive Committee who are residents of the Banff Community.

No committees of the Board have been established other than the Executive Committee. No search or nominating committee has been established that is responsible for selecting members of the Executive Committee of the Board. The members of the Executive Committee are elected from nominations from the floor at the Annual General Meeting in accordance with the provisions of the Banff Avenue Community House Board Constitution.

An orientation is provided to new members of the Executive Committee by the House Director but there is no ongoing training of members of the Executive Committee.

### **Recommendation 6**

**That, in accordance with Article 7 of the Banff Avenue Community House Board Constitution, an additional resident of the Banff Community be appointed to the Executive Committee.**

#### **Management Response**

The Board of Directors will continue to seek out potential community members to join the Board.

## **Recommendation 7**

**That ongoing training be provided for members of the Executive Committee on issues relating to their governance responsibilities.**

### **Management Response**

The Board of Directors does not have the funds for Board development at this time. However, we will continue to ensure all members of the Board receive adequate orientation and are made aware of their governance responsibility.

### **7.2.3 Board Evaluation Process**

The Executive Committee has no process in place to conduct annual self-evaluations of its performance or of individual member performance. Annual evaluations would allow the Executive Committee to determine whether:

- The main responsibilities outlined in the constitution are being performed;
- The meeting agendas and discussion focus on strategic, substantive issues;
- There is appropriate follow-up action taken for items discussed in the meetings;
- Adequate and timely information is being received; and,
- The members work together effectively and the communication and discussion is appropriate.

While the Executive Committee currently does not have a process to periodically assess its approach to reviewing financial and budget information, a financial reporting schedule is prepared for the Executive Committee early in the year outlining the Executive Committee meetings at which quarterly financial reports will be presented for discussion and approval. The audited financial statements are presented to the Executive Committee at its pre-Annual General Meeting (AGM) in January. The Treasurer, assisted by the House Director, prepares a budget for the year for the programs funded by the City of Ottawa. The Executive Committee approves this budget before it is submitted to the City in the Community Funding Submission.

## **Recommendation 8**

**That the Executive Committee establish a process to conduct an annual self-evaluation of its performance and of individual member performance.**

### **Management Response**

The Board of Directors will inquire about getting the training needed to set up an evaluation process of the performance indicators and of individual member performance.

#### **7.2.4 Strategic Planning and Performance Measurement**

The Executive Committee reviews the projections/budget that the Treasurer and the House Manager prepare for the programs funded by the City of Ottawa. Following approval by the Executive Committee the projections/budget is submitted to the City of Ottawa. This budget is not approved at the AGM since it is submitted to the City in the Community Funding Submission filed in September of the year preceding the funding requirement. The Annual General Meeting is not held until January of the following year.

The Executive Committee establishes annual objectives but has not established any performance indicators. On April 30, 2008, the Executive Committee approved the Plans/Goals for 2008. These objectives were expressed in point form and did not include performance indicators.

During the course of the audit, concerns were raised to our attention regarding the frequent use of in camera meetings by the Board and Executive Committee. As a best practice, the Board should establish an in camera policy similar to that of Ottawa City Council to clearly articulate the conditions under which it may meet without members of the public present.

#### **Recommendation 9**

**That the Executive Committee present its budget of all expenditures to the members at the Annual General Meeting for their approval.**

##### **Management Response**

The Treasurer of the Board will present its budget and all expenditures to the members at the AGM for approval. The Board will continue to consult with the House Director regarding revenues and expenses at Board meetings.

#### **Recommendation 10**

**That the objectives established by the Executive Committee be more fully developed and that performance indicators be established to measure success in achieving the objectives.**

##### **Management Response**

The Board of Directors will seek the support of local resources to better assist with the organization's objectives. As well performance indicators will be established to measure success in achieving the objectives. There is no model to assist with the development of this tool and measurement process at this time however.

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### **Recommendation 11**

**That the Board establish an in camera meeting policy similar to that of Ottawa City Council.**

#### **Management Response**

The Board of Directors is in the process of establishing an in camera policy similar to that of the City of Ottawa Council.

### **7.2.5 Succession Planning**

The Executive Committee does not currently have a succession plan for the House Director.

### **Recommendation 12**

**That the Executive Committee ensure there is an individual who is qualified to assume the responsibilities of House Director, in the event the position becomes vacant.**

#### **Management Response**

The Board of Directors has implemented a personnel organizational chart along with a business plan to respond to a vacancy/absentee should the House Director's position suddenly become vacant. The senior staff person would step in for the immediate interim until the position of House Director could be properly posted as required by our policies.

## **8 Conclusion**

The audit has revealed some areas where there is a lack of compliance with Community Funding Service Agreement. Most significant are the areas where compliance with the Occupational Health and Safety and Workplace Safety and Insurance Act must be ensured. In addition, some of the governance criteria have not been met. These areas should be examined bearing in mind the small size and limited resources of the organization and the desire to avoid overburdening it with bureaucracy and inflexible rules.

## **9 Acknowledgement**

We wish to express our appreciation for the cooperation and assistance afforded the audit team by the management of the Banff Avenue Community House.