



March 20, 2025

**Business Improvement Area
GOVERNANCE BYLAW COMPLIANCE
INTERNAL AUDIT CONSIDERATIONS FOR ADMINISTRATION
IN ADVANCE OF BIA TRAINING SESSIONS**

REPORT

Executive Report

Business Improvement Area Governance Bylaw Review Overview

Compliance reviews of how the nine BIAs comply with the City BIA Governance Bylaw were commenced in 2024 and were expected to span 3-4 years. Given the insights of two inflight reviews and initial conversations with other BIAs, the Auditor General recommended a change in approach to optimize the effort expended on BIAs.

The revised approach was to complete the one inflight review and to summarize key items noted so far in any other BIA work conducted to date and to close out the project files.

The results of these reviews are to be provided to the BIAs and City Council.

Management should consider the findings reported as part of the planned Governance and Conflict of Interest training.

Three to five years after communicating the consolidated themes and completing the City Governance and Conflict of Interest training, a compliance review of two to three randomly selected BIAs is anticipated

What We Did

Below is a sample selection of some of our activities:

We completed one full BIA review where 74 specific areas of compliance with the Governance Bylaw were considered. We also commenced and conducted a fair portion of testing and even more evidence collection for two other BIAs.

We reviewed many BIA websites to understand the overall context and the Board minutes as well as to evaluate the required web publication elements of the Governance Bylaw.

We collected publicly available data and information from external auditors as part of evidence collection.

What We Found

BIAs would benefit from:

- (1) training on minimum expectations,
- (2) leveraging City published materials and
- (3) developing an approach to ensuring sustained compliance with all aspects of the bylaw over a 12-18 month period.

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**Administrations
Comments**

A significant amount of administrative effort was put forth in the development of the Governance Bylaw during which several meetings were held with members and representatives of the BIA Boards to review, provide context and seek feedback with regards to the requirements included in the Bylaw. In addition, BIAs have been provided access to a dedicated single point of contact at the City who is available to respond to questions from the BIA's. Further a centralized email address was made available where BIA's could raise questions and seek clarification on a matter that may arise. This e-mail is regularly monitored for timely responses.

Administration acknowledges that specific training regarding the Governance Bylaw has not yet been offered to the BIA board members. Administration recognizes the importance of this training and are committed to finalizing training materials to ensure training is comprehensive, relevant, and supports the BIA's in meeting the governance requirements. The goal is to schedule and deliver training by the Fall of 2025. Future training, which aligns with the term of Council and election of BIA Boards will be scheduled commencing in 2027. Training will incorporate key aspects as identified through the Lessons Learned - Business Improvement Area Internal Audit Review (January 15, 2025) as well as other items for consideration as identified in this report. At this time, Administration is not recommending any proposed changes to the current Governance Bylaw. Those areas where compliance may be challenging for the BIA's will be highlighted for further discussion as part of the planned training.

Name: Janice Guthrie

Title: Commissioner of Finance/City Treasurer

Date: April 9, 2025

Specific Findings for Consideration

#	Title	Rating
1	Prior Constitution and Governance Bylaw Alignment	High
Finding	<p>Within the Governance Bylaw, Schedule A and B were adopted by City Council, which was the Acting Board for the BIAs at that time. As such, the BIA Governance By-Law and supporting schedules became part of each BIA's governance structure; however, some BIAs have prior Constitutions, bylaws and procedures. The City Governance By-Law does not appear to contain wording to repeal or supersede these prior governing elements. Further, there was no evidence of subsequent repeal/superseding nor analysis to consider potential conflicting elements detected.</p>	
Implication	<p>An overarching and unsigned constitutional/governance document creates uncertainty and a potential lack of legal authority over the company's governance and operations. While the entity might proceed with operations in some cases, it risks legal challenges, disputes, and operational confusion.</p> <p>There is a risk that a prior constitution and the Governance Bylaw are in conflict or may not be aligned.</p>	
Recommendation for City	<p>The City should consider requiring confirmation from each BIA, at a specified date, that the BIA Board has either:</p> <ol style="list-style-type: none"> 1. Reviewed and approved an analysis of all prior Governing BIA documents (Constitutions, Bylaws, Policies, etc.) and has completed actions to ensure each document has been updated and is in accordance with the Governance Bylaw, or 2. Tabled and passed a motion, by the BIA Board (or AGM, as appropriate), to repeal all prior governance documents such that the Governance Bylaw supersedes them and is the in-force standard. 	
Recommendation for BIA	<p>The BIA should comply with the City's requirements regarding Governance Bylaw policies.</p>	

#	Title	Rating
2	BIA Membership Authority	High
Finding	The Governance Bylaw specifies that "the Secretary is responsible to ensure the Membership list is current"; however, BIA members are defined by the Municipal Act, and final membership is determined through the City Levy listing within the boundary. Further, the BIA often has the membership listing updated and maintained by the Director and chair.	
Implication	Risk of non-compliance with administrative items in the bylaw. The risk that membership and levy listings do not align or are challenging to map.	
Recommendation for City	NA	
Recommendation for BIA	<p>The BIA Board, through the Secretary, should ensure that there is a method for the Secretary to confirm that they have ensured the membership list is correct (e.g., a memo in the Board Agenda or a minute). At a minimum, this should precede the determination of any mailing list (notice of meeting invitations) for the AGM or any Special General Meeting called.</p> <p>The Secretary should ensure that evidence of the City Levy parties are included in the membership listing and that evidence thereof is retained to support the Secretary's confirmation of an accurate membership list. The BIA Board will need its own local, unique method for ensuring local business tenants are represented.</p>	
3	Election Practices	High
Finding	<p>The Governance Bylaw requires several elements not detected as being in effect for the election of directors.</p> <p>These are specific items such as:</p> <ul style="list-style-type: none"> - two people appointed to act as election officials to conduct/oversee the election - only one individual was present for the counting of the ballots <p>Other items required under the bylaw could not be corroborated as supporting evidence was unavailable. This includes elements such as:</p> <ul style="list-style-type: none"> - formal outline of the actual voting process/requirements - voting occurred by secret ballot - method of how ballots were delivered to the election officials - appropriate storage and destruction of ballots 	
Implication	There is a risk of non-compliance with administrative items in the bylaw, which would require additional efforts and likely costs.	
Recommendation for City	The City should incorporate election practices as a topic for coverage in planned future BIA training.	
Recommendation for BIA	The BIA should ensure the above practices are in place and adhered to the next time a Board Member is elected.	

#	Title	Rating
4	Mid-Term Elections	High
Finding	<p>Within the scope period of the review, some of the elected and City Council-appointed BIA directors resigned. Further, BIA Board minutes indicate that the Board added directors during the period. No evidence was detected that these three directors were elected per the requirements outlined in Schedule A of the Governance By-law.</p> <p>Further, there was no evidence in the agenda, the minutes, or the PowerPoint presentation as to the ratification of Directors onboarded by the Board in the year by the Membership and no evidence of approval of the new Directors by City Council.</p>	
Implication	There is a risk of non-compliance with administrative items in the bylaw.	
Recommendation for City	The City should ensure that the wording and expectations for mid-term elections is clear and that the process to notify Council of Director resignation and new appointments occurs promptly.	
Recommendation for BIA	Ensure that compliance with the bylaw is achieved, that members agree to newly appointed directors and that Council is informed that they may appoint the new directors promptly.	
5	Ex-officio Board Member	High
Finding	The BIA directors appointed per the City Council Striking Committee listed all the Directors elected by BIA members; however, some ex-officio member of the Board of Directors (permitted per the current BIA Constitution) were not listed and other BIAs had ex-officio members on the striking committee report. The ex-officio member is not a position listed in the Governance Bylaw.	
Implication	A mishap in the director's listing creates a conflict between the in-force pre-existing BIA Constitution and the Governance Bylaw.	
Recommendation for City	NA	
Recommendation for BIA	The BIA should remove ex-officio directors from the constitution and Board as they are not permitted under the Governance Bylaw.	
6	Board Meeting Attendance	High
Finding	In assessing compliance with the bylaw specification that every Director and Officer of the BIA attend each meeting, we noted that 58% of the nineteen directors evaluated did not attend all meetings and that 36% of the directors tested attended less than 36% of the meetings.	
Implication	Non-compliance with this element of the Governance Bylaw should be anticipated as full attendance of all volunteers at all meetings might not reflect reality.	

#	Title	Rating
Recommendation for City	While full attendance at every board meeting might be the ideal or expected standard in some governance models, it's not always realistic or necessary for a small organization or diverse board. A more flexible approach that allows for remote participation encourages active involvement and sets reasonable attendance goals, which can help ensure effective governance without placing undue pressure on board members. The City should consider the goal of this initial policy element and revise it to accommodate the diversity of size and structure of the various BIAs.	
Recommendation for BIA	The BIA should monitor attendance and address issues preventing the attendance attainment metric from being attained.	
7	Governance and Conflict of Interest Training	High
Finding	The Bylaw requires that every Director and Officer of the BIA attend the City's governance and conflict of interest training. In testing, we noted that such attendance was impossible as the training had not been offered by the City to BIA Directors and Officers since the Council Resolution regarding the Governance Bylaw was passed	
Implication	Risk of non-compliance with Governance Bylaw and potential for non-compliance or misunderstanding of the City's governance and conflict of interest requirements.	
Recommendation for City	The City should provide the required City governance and conflict of interest training as soon as possible, at the beginning of every term, and in a way such that mid-term appointments can participate or attend.	
Recommendation for BIA	The BIA should ensure that all Directors comply with the attendance requirements per the Governance Bylaw.	
8	Business Expense Reimbursement	High
Finding	There is no Board approved Travel and Business Expense Policy. While BIA representatives do not currently travel, nor are they reimbursed for travel expenses, various BIA members have incurred business expenses and have been reimbursed. Consistent evidence of secondary approvals was not available and in some instances, one of the two approvers was also the recipient.	
Implication	Risk of non-compliance with Governance Bylaw. There is an increased risk that business expenses do not follow a standard purchasing/reimbursement practice that meets city and/or public expectations.	
Recommendation	The City should establish and track compliance with a target date for the various	

#	Title	Rating
for City	BIAs to submit their Travel and Business Expense Policy for City approval. The City may wish to include a statement in the Governance Bylaw that approvers/signatories must be independent of the recipients.	
Recommendation for BIA	The BIA should develop and implement a Travel and Business Expense policy that conforms to the Governance Bylaw requirements and business and expense reimbursement practices. Such a policy addresses travel expenses permitted as well as reimbursement of Directors for expenses incurred on behalf of the BIA. The BIA should generate and retain evidence of compliance with the Governance Bylaw, ensuring that the requisite approvals are obtained before funds are issued.	
9	Board Agenda Publication	Moderate
Finding	Publication of the Board Agendas on the website 72 hours before any Board meeting was not detected for past meetings. This is required by the Governance Bylaw section XII.iv.	
Implication	Risk of non-compliance with City Bylaw and the potential for reduced awareness of BIA members.	
Recommendation for City	NA	
Recommendation for BIA	The BIA should comply with the Governance Bylaw and post Board Agendas on the web at least 72 hours before a meeting.	
10	AGM Agenda Circulation	Moderate
Finding	The Governance Bylaw requires advance notice of the Annual General Meeting, with the agenda and supporting materials attached. Various instances of non-compliance such as partial communications or notification outside of the required timeline were noted.	
Implication	There is a risk of non-compliance with the Governance Bylaw and the potential for reduced awareness of BIA members.	
Recommendation for City	NA	
Recommendation for BIA	The BIA should comply with the Governance Bylaw and circulate the required materials at least 15 days before the Annual General Meeting.	

#	Title	Rating
11	Designation of Financial Institution	Moderate
Finding	Minutes indicating the approval of the current (in period) financial institution as the designated entity could not be readily located by the BIA.	
Implication	<p>Risk of non-compliance with City Bylaw and inaccurate corporate records.</p> <p>Complications could arise should the appointment or use of the current financial institution be called into question or challenged.</p>	
Recommendation for City	NA	
Recommendation for BIA	Where historical records of the appointment of the designated financial institution cannot be located, the BIA should ensure that minutes indicating the appointment of the financial insulation are generated and that the record books are updated.	
12	Policies	High
Finding	<p>The following policies are not formally defined: sale and disposition of land, hiring, purchasing, or business and travel expenditures.</p> <p>Business expenses are incurred by Directors/members, and as such, the business expenditures policy is required.</p>	
Implication	Non-compliance with the Governance Bylaw.	
Recommendation for City	<p>The City should consider minor modifications of the Governance Bylaw section XVI.vii to determine whether the BIA should craft and implement policies related to employees and land disposition where there are no employees or land assets. Further, the City should consider incorporating Termination elements into the Hiring policy requirement.</p> <p>Suppose the City desires BIAs to have all the policies listed in place now. Then, the City should consider updating the Governance Bylaw wording to require that BIAs also have a method for ensuring the policies not currently applicable are kept (1) up-to-date and (2) that awareness of the policy is maintained by the Board and the Executive Director (or equivalent).</p> <p>Suppose the City desires BIAs to have the policies when relevant. Then, the Governance Bylaw wording should be updated to include trigger language such as "before initiating any recurring activities" or "before considering any land purchases" for the hiring and land disposition policies.</p>	
Recommendation for BIA	<ol style="list-style-type: none"> 1. The BIA should design, implement and comply with a Purchasing Policy and a Travel and Business Expense Policy as purchasing occurs and directors are reimbursed for expenditures. 2. The BIA should comply with the requirements that the City determines 	

#	Title	Rating
	regarding its final action plan regarding policies regarding the Sale and disposition of Land and Hiring.	
13	Minutes Oversight	High
Finding	There was no direct evidence of compliance with the following Governance Bylaw requirements: (1) the Secretary's oversight of the minute requirements and (2) no evidence of the required signing of the minutes by both the Secretary and the Chair.	
Implication	Non-compliance with the Governance Bylaw.	
Recommendation for City	NA	
Recommendation for BIA	Corporate minutes should be signed to ensure their authenticity, provide legal protection, and maintain good governance. Signing the minutes creates an official, final record of the proceedings, promotes accountability, and safeguards against potential legal issues. It also ensures that the documented decisions of the board and members are clear and accurate and can be relied upon for future reference or verification.	
14	Results as Planned	High
Finding	We reviewed the 2023 financial statements and noted that a deficit was incurred, which was not in accordance with the approved budget, a reserve reduction plan or the Governance Bylaw.	
	The drawdown or use of a Reserve reduction plan would also require a planned deficit, making any BIA non-compliant with the Governance Bylaw.	
Implication	Non-compliance with Governance Bylaw. Long-term or severe non-compliance may result in significant financial losses or unintended use of any surpluses.	
Recommendation for City	The City may wish to revise this requirement considering (1) planned/approved deficits, (2) a reserve reduction plan or (3) where deficits are identified and escalated to the City for approval in a specified advance manner.	
Recommendation for BIA	The BIA should ensure compliance with the Governance Bylaw.	
15	Variance Reporting	Moderate
Finding	The Bylaw requires that budget variances be reported to the board at least semi-annually; however, these were not consistently noted.	
Implication	Non-compliance with Governance Bylaw. Long-term or severe non-compliance may result in unexpected and/or unnecessary variances.	

#	Title	Rating
Recommendation for City	NA	
Recommendation for BIA	The BIA should report budget variances to the board on a semi-annual basis.	
16	Reserve Usage Plan	High
Finding	Several Reserve Balance exceed the 25% of the annual levy, and the Governance Bylaw, therefore, requires that “the Board is required to develop a plan that will expend the funds, with said plan being presented as part of the annual budget submission for approval by Council.” However, no such plan was detected.	
Implication	Non-compliance with Governance Bylaw. Reserve balances may not reflect the needs of the BIA and/or the City.	
Recommendation for City	The City should establish, and track compliance with, a target date for the applicable BIA's to submit their plan for managing their reserves to the City.	
Recommendation for BIA	The BIA should document its plan to expend reserve funds beyond the limit and include this plan in its submission to Council for approval.	
17	Expenditure to Closely Related Parties	High
Finding	No formal control mechanisms exist for payments to closely related parties. Signatory awareness is the primary control, emphasizing the knowledge of the Executive Director and the Chair. This was confirmed via management representation.	
Implication	Non-compliance with Governance Bylaw. Inappropriate or misuse of funds may occur.	
Recommendation for City	NA	
Recommendation for BIA	The BIA should acquire formal evidence of agreement of (1) intent to comply and (2) annual attestation of compliance with this Governance Bylaw requirement from all authorized signatories.	

#	Title	Rating
18	Bank Reconciliation Practices	High
Finding	<p>Formal bank reconciliations are not consistently prepared..</p> <p>There was no consistent evidence of reviewing or discussing the financial summary with the Treasurer before Board meetings. Since bank reconciliations are not prepared, no evidence of reviewing them is available, nor is the associated approval by the Board possible.</p>	
Implication	Non-compliance with the Governance Bylaw. The absence or untimely preparation and review of bank reconciliations increases the risk of unauthorized payments, lost deposits, errors, and misuse of funds.	
Recommendation for City	NA	
Recommendation for BIA	<p>Bank reconciliations should be completed by a designated individual(s) other than the Treasurer. The Treasurer should independently review the bank reconciliations, ideally monthly or at least quarterly. After the treasurer's review, bank reconciliations should be presented to the Board for approval as part of the minuted agenda.</p> <p>Evidence of the date and occurrence of the Treasurer's review of the Bank Reconciliation should also be retained.</p>	
19	Records Retention	High
Finding	<p>Based on the requests made in the general review of the bylaw compliance review, appropriate record and retention protocols are in place for recent records. Historical records over two years old were more challenging to acquire or were not acquired. Several of these were corporate minutes that should have been retained.</p>	
Implication	Non-compliance with Governance Bylaw. Missing minutes and records can have serious legal, financial, operational, and reputational consequences.	
Recommendation for City	NA	
Recommendation for BIA	The BIA should ensure a robust system for recording and storing key documents is in place.	
20	Bookkeeping Agreement	High
Finding	Other than considering implied approval via payment of bookkeeper fees, evidence of the board's approval of the bookkeeper was unavailable. A formal agreement of services, terms and conditions, and fees were detected was not always available.	

#	Title	Rating
Implication	Non-compliance with Governance Bylaw. Increased risk of challenges and lack of clarity/accountability should a dispute or disagreement arise.	
Recommendation for City	NA	
Recommendation for BIA	The BIA should ensure that the bookkeeping service engaged has a formal agreement of services, terms and conditions, and fees.	
21	Financial Statement Submission	High
Finding	The BIA did not submit the annual report with financial statements within the timeframe required by the City (April 26, 2024). The audited financial statements were received on July 23/24 and issued to the City on August 20, 2024.	
Implication	Non-compliance with Governance Bylaw. Late reporting may result in reduced transparency, inability to respond to challenges, and timing impacts on overall City financial reporting.	
Recommendation for City	The City should review the various BIA's financial reporting challenges to identify success factors and root causes and understand the obstacles creating delays in overall reporting.	
Recommendation for BIA	The BIA should quickly escalate challenges and concerns related to financial reporting to their City contact in a formal manner.	
22	Financial Statement Package	High
Finding	The Governance Bylaw requires timely submission of the financial records to the external auditors. However, timely submission was not noted for 4 of the 9 BIAs.	
Implication	Non-compliance with Governance Bylaw. Loss of interest and reduced cash flow.	
Recommendation for City	The City should review the various BIA's financial reporting challenges to identify success factors and root causes and understand the obstacles creating delays in overall reporting. Based on this information, reporting practices/processes and/or timing changes may be required.	
Recommendation for BIA	The BIA should ensure all relevant records are provided to the external audit within the required timeline.	
23	HST Submission	High
Finding	The Governance Bylaw requires timely submission of the HST filings. However, evidence to support the timely submission was not noted for some Boards.	
Implication	Non-compliance with Governance Bylaw. Loss of interest and reduced cash flow.	
Recommendation for City	NA	

#	Title	Rating
Recommendation for BIA	The BIA should ensure annual HST filings occur within 3 months or less of year-end.	

Appendix A - Rating descriptions

Findings

Rating	Description
High	Significant Portion of Compliance Activity Not In Effect - Action Required
Moderate	A Portion of Compliance Activity Not In Effect - Action Required
Low	Minimal Portion of Compliance Activity Not In Effect - Action Required
Pending City Input	City Input Suggested Before the BIA Takes Action