



## REPORT FOR ACTION

# Toronto Community Housing Corporation – Results of 2021 Follow-up of Previous Audit Recommendations

**Date:** June 23, 2021

**To:** Board of Directors of Toronto Community Housing Corporation

**From:** Auditor General

**Wards:** All

## SUMMARY

---

The Auditor General regularly reviews the implementation status of recommendations made through her audit and investigation reports. The results of the review are reported to City Council through the Audit Committee.

This report provides the status of the implementation of the 23 audit recommendations included in the 2019 report entitled "Moving Forward Together: Opportunities to Address Broader City Priorities in TCHC Revitalizations".

This is our first follow-up review of the recommendations contained in that report.

During our review, we verified management's assertions that Toronto Community Housing Corporation (TCHC) together with the City has fully implemented 11 recommendations. One recommendation was determined to be no longer relevant. These recommendations are listed in Attachment 1 and Attachment 2, respectively.

Subsequent to the completion of our follow-up work, management advised that three more recommendations (recommendations #2, #6 and #9) have been fully implemented. We have not yet verified management's assertions. There are eight remaining recommendations where implementation is in progress. These recommendations, together with management comments, are included in Attachment 3 and will be included in a subsequent follow-up review.

The results of this follow-up review will be included in our consolidated report on the status of outstanding recommendations to be presented at the November 2, 2021 City Audit Committee meeting.

We express our appreciation for the co-operation and assistance we received from TCHC and City management and staff in implementing the Auditor General's new recommendation tracking system and for providing regular updates on the status of recommendations.

## RECOMMENDATIONS

---

The Auditor General recommends that:

1. The Board of Directors of Toronto Community Housing Corporation receive this report for information.

## FINANCIAL IMPACT

---

The recommendation in this report has no financial impact.

## DECISION HISTORY

---

The results of the Auditor General's audit of TCHC's redevelopment and revitalization activities were presented to the TCHC Board of Directors on April 29, 2019, to the City's Audit Committee on May 3, 2019, and to City Council at its meeting of May 14, 2019.

The audit report is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.AU2.1>

The follow-up of outstanding recommendations is required by Government Auditing Standards. The process is important as it helps to ensure that management has taken appropriate actions to implement the recommendations from previous audit reports. The follow-up review is part of the Auditor General's annual work plan. The Auditor General reports to the Board of Directors and the City's Audit Committee each year on the implementation status of outstanding recommendations.

The Auditor General's follow-up of outstanding recommendations does not constitute a performance audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). However, we believe that we have performed sufficient work to validate management's assertions on the implementation of recommendations.

## COMMENTS

---

The Auditor General's follow-up work was impacted by the COVID-19 pandemic. In 2020, we deferred our follow-up work that was in progress to enable City divisions, agencies and corporations to focus on the delivery of essential services.

During this time, our Office implemented a new audit management technology solution. The new system allows management to provide updates on the implementation status of outstanding recommendations at any time throughout the year. With the new system in place, we can continuously track and report on management's assessment of implementation progress and their target completion date.

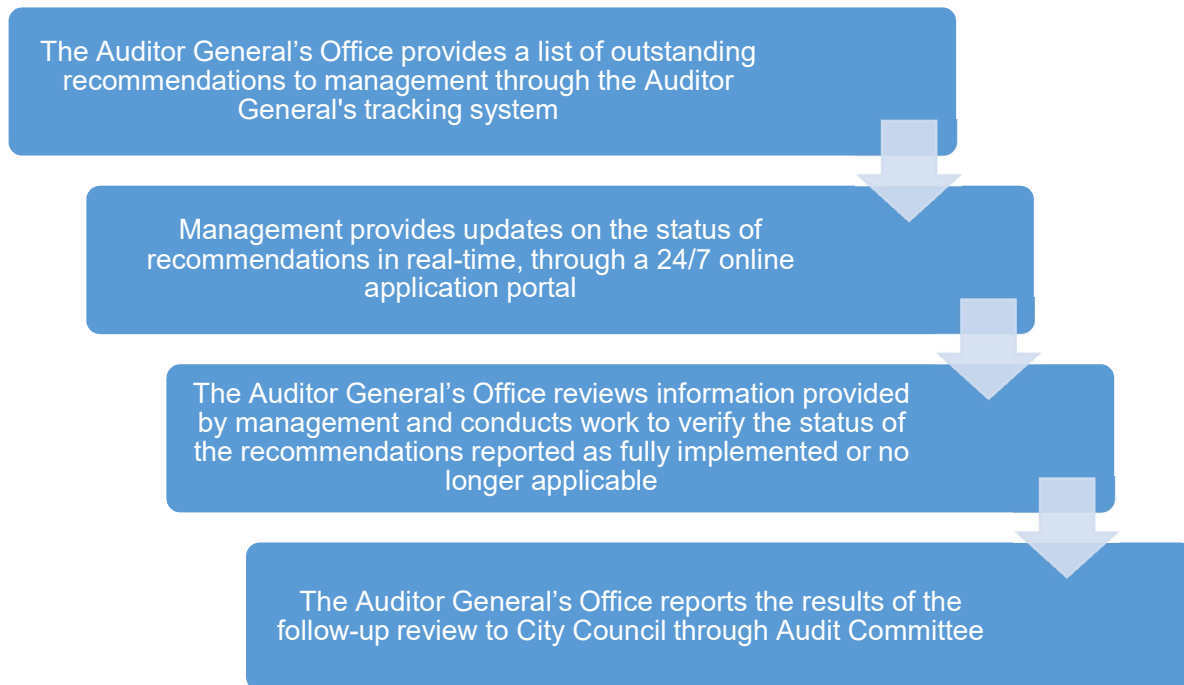
Our follow-up process, as summarized in Figure 1, requires management to review the outstanding audit recommendations and provide information on their implementation status.

Where management is continuing to take action to address recommendations and has reported the recommendation as not yet fully implemented, we do not conduct further work.

For recommendations management has reported as fully implemented or no longer applicable, management is required to explain why the recommendation is considered fully implemented or no longer applicable and provide sufficient and relevant supporting documentation. The Auditor General's Office conducts work to verify the status of these recommendations.

The Auditor General's Office is unable to validate management's assertions that recommendations are fully implemented if agencies and corporations do not provide sufficient evidence of actions taken.

**Figure 1: Key Steps in the Recommendation Follow-Up Process**



City divisions, agencies and corporations have been requested to update the recommendation tracking system with the current implementation status of outstanding recommendations on an ongoing basis.

Of the 23 recommendations included in the 2019 report entitled "Moving Forward Together: Opportunities to Address Broader City Priorities in TCHC Revitalizations", we verified that 11 recommendations were fully implemented, and one recommendation

was no longer relevant. Three recommendations were reported as fully implemented after we completed our follow-up review; these recommendations will be verified in a subsequent follow-up review. Management continues to take action to address the eight remaining audit recommendations.

At its meeting on July 16, 17 and 18, 2019, as part of the Tenants First Implementation Plan, Council approved in principle the transfer of TCHC's real estate development functions to CreateTO and/or the City in alignment with the City-wide real estate model. We believe that the intent and spirit of the related recommendations from our audit report should still be considered in the planning and administration of any TCHC redevelopment projects regardless of whether they are moved forward by TCHC or transitioned to CreateTO.

### **Noteworthy 2021 Follow-Up Review Results**

In our April 2019 audit report, we highlighted that the City and TCHC need to strategically align their priorities and desired outcomes with an adequate funding support plan to more fully leverage revitalization opportunities. This will not only ensure that existing social housing is replaced, but can also more effectively address other city-building priorities, such as increasing the supply of affordable housing.

#### *Recommendation 1*

The Auditor General recommended that City Council request the City Manager, in consultation with the Chief Executive Officer, Toronto Community Housing Corporation, to make recommendations to City Council regarding city-building objectives that will be addressed through TCHC revitalizations, and the related funding requirements to achieve those objectives, prior to proceeding with future revitalizations and/or phases that have yet to obtain planning approvals and Shareholder consent.

In May 2019, City Council requested that the Executive Director, Housing Secretariat, in consultation with CreateTO, report to the Planning and Housing Committee on any options for city-building objectives that may be included in revitalizations that have yet to obtain planning approvals.<sup>1</sup>

In July 2019, City Council adopted a new approval framework for TCHC Revitalization Projects. The Staff Report indicated that by implementing the new approval framework, "redevelopment and revitalization projects will be carried through a stage gate process to ensure appropriate level of consultation, oversight and consistency in decision-making, while ensuring that City objectives, including affordable housing are achieved."<sup>2</sup>

Since that time, the Housing Secretariat has reported back to City Council on the progress or approval of TCHC revitalization projects. These reports indicate that from October 2019 to December 2020, TCHC has included an additional 337 affordable rental units in three revitalization projects: Don Summerville (100 units), Firgrove-

<sup>1</sup> <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.AU2.1>

<sup>2</sup> <https://www.toronto.ca/legdocs/mmis/2019/ph/bgrd/backgroundfile-135556.pdf>

Grassways (107 units) and Lawrence Heights Phases 2 & 3 (130 units). These affordable housing units are over and above what was originally planned for these developments at the time of our audit.

## High-Priority Open Recommendations

### *Recommendation 12*

During our 2019 audit, we found that City Council was informed almost three years after TCHC's Board, that there was a \$107.7 million funding shortfall for Phase 3 of the Regent Park revitalization and that capital funding from the City was needed. We noted that funding needs for planned revitalization projects should be promptly and transparently communicated so that the City can appropriately plan, prioritize, and allocate funding to meet capital needs across the City and its agencies and corporations within its debt targets.

The Auditor General recommended that City Council request the City's Chief Financial Officer to ensure the City's 10-Year Capital Plan includes Toronto Community Housing Corporation's building capital repair and revitalization projects and identify shortfalls to be included in the overall City unfunded projects list.

In November 2019, City Council adopted a permanent funding model for TCHC. The Social Development, Finance & Administration Division advised us that, in recommending the funding model, funding of TCHC revitalizations was contemplated; but, because the revitalizations were not considered part of TCHC's core mandate, funding for the revitalizations was not incorporated into the permanent funding model.

While TCHC provided the City's Financial Planning Division with information on the capital funding required for its (1) building capital repair, (2) in-flight revitalizations and (3) pending revitalization projects during the 2021 budget process, the City's 10-year Capital Plan only addresses funding required for TCHC's building capital repair and in-flight revitalizations. The City's 2021-2030 Capital Plan, presented to City Council for consideration in February 2021, did not include approximately \$470 million<sup>3</sup> (in unfunded capital requirements) that TCHC needs to complete the pending revitalization projects at Firgrove, Lawrence Heights Phases 2 and 3, and Regent Park Phases 4 and 5.

## CONTACT

---

Ina Chan, Deputy Auditor General (A), Auditor General's Office  
Tel: 416 392-8472, E-Mail: [Ina.Chan@toronto.ca](mailto:Ina.Chan@toronto.ca)

Elaine Lu, Audit Manager, Auditor General's Office  
Tel: 416-392-8463, E-Mail: [Elaine.Lu@toronto.ca](mailto:Elaine.Lu@toronto.ca)

<sup>3</sup> Based on TCHC estimates as at October 2020

**SIGNATURE**

---

*Beverly Romeo-Beehler*

Beverly Romeo-Beehler  
Auditor General

**ATTACHMENTS**

---

Attachment 1: TCHC - Fully Implemented Audit Recommendations (verified by the Auditor General)

Attachment 2: TCHC - No Longer Relevant Audit Recommendation (verified by the Auditor General)

Attachment 3: TCHC - Not Fully Implemented Audit Recommendations