

## Committee of the Whole (2) Report

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**DATE:** Tuesday, November 10, 2020

**WARD(S):** ALL

**TITLE: INTERNAL AUDIT REPORT – AUDIT OF THE VAUGHAN  
BUSINESS ENTERPRISE CENTRE**

**FROM:**

Kevin Shapiro, Director of Internal Audit

**ACTION:** FOR INFORMATION

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**Purpose**

To communicate the findings from the audit of the Vaughan Business Enterprise Centre.

**Report Highlights**

- The City of Vaughan’s Economic and Cultural Development department offers services and support for local businesses and entrepreneurs through the Vaughan Business Enterprise Centre (VBEC).
- Based on the results of the audit, we conclude that VBEC is operating in an efficient and effective manner.
- The audit noted two issues that are minor in nature.
- Management has developed action plans which will mitigate the identified risks and address the recommendations outlined in the report.
- Internal Audit will follow up with management and report on the status of management action plans at a future committee meeting.

**Recommendation**

1. That the Internal Audit Report on the audit of the Vaughan Business Enterprise Centre be received.

## **Background**

The objective of the audit was to evaluate the adequacy and effectiveness of the internal controls, processes and procedures in place to mitigate the business risks associated with managing the VBEC programs.

The audit approach included a review of the strategic goals, objectives and oversight of the department, review of relevant policies and procedures, use of technology, and interviews with staff and management.

The scope of the audit covered the VBEC program activities for the period of January 2019 to August 31, 2020.

## **Previous Reports/Authority**

Not applicable.

## **Analysis and Options**

VBEC provides services for Vaughan's aspiring entrepreneurs and existing small business owners with access to business information, resources, training and one-to-one assistance to start or grow businesses in Vaughan. There are three main program initiatives. The Core Initiative program is available to Vaughan's small business owners and entrepreneurs. The Starter Company Plus and Summer Company programs provide training and consulting with opportunities for micro-grants. Between 2019 and 2020, VBEC provided 118 seminars and events in business planning, marketing, finances, sales and operations to more than 943 participants and assisted in the start or growth of more than 229 businesses.

Through participation in the Ministry of Economic Development, Job Creation and Trade's (MEDJCT) Small Business Enterprise Centre program, VBEC receives provincial funding for issuing grants to qualified program participants. MEDJCT also provides partial funding for staffing and operations. The remainder of the staff funding is provided by the City of Vaughan through the Economic and Cultural Development department.

Small businesses account for more than 85% of Vaughan's businesses. According to recent Census data, Vaughan has more self-employed workers compared to the rest of Canada. VBEC's results support that the City provides services and resources that foster a significant contribution to local innovation and entrepreneurship.

Further, in response to the challenges of COVID-19, VBEC saw a 90% increase in business consultations at the onset of the pandemic. As part of the Vaughan Small Business Resiliency Program, VBEC has introduced an on-line program, Digital Boost, to provide training and mentorship for developing digital business strategies.

## **Financial Impact**

There are no direct economic impacts associated with this report.

## **Broader Regional Impacts/Considerations**

Not applicable.

## **Conclusion**

Based on the results of the audit, we conclude that VBEC is operating in an efficient and effective manner. The audit noted two issues that are minor in nature.

The 2019-2022 SBEC (Small Business Enterprise Centre) agreement with the MEDJCT saw funding reduced by \$300,000 from the previous agreement, with the expectation that VBEC will provide the same caliber of services to a growing number of clients. Given the importance of small business, and the economic potential in entrepreneurship to generate prosperity for the City of Vaughan, Internal Audit recommends VBEC management develop a contingency plan in the event the Province either decreases funding or abandons the SBEC program when the current agreement expires.

VBEC staff have been administering their programs and providing services and resources based on the MEDJCT guidelines and the requirements of the Transfer Agreement that exists between the City and the Province. Opportunities exist for VBEC management to develop standard operating procedures (SOPs) that will provide more clarity to staff on how to execute the guidelines and requirements by:

- Clearly defining roles and responsibilities of all stakeholders
- Outlining program expectations
- Providing guidelines to achieve those expectations
- Developing measurements that can verify program compliance

### ***Management agrees with both recommendations and has drafted the following action plans***

With the business unit relying on \$330,000 a year from the Province to enable staffing, direct granting programs to small businesses, and entrepreneurship programming and services, VBEC's business model is vulnerable to significant disruption should the funding model change or be eliminated. With over 85% of Vaughan's business community represented by small businesses, the service the SBEC provides is essential to the creation of new businesses, and growth of our existing small business community. Management will prepare a contingency plan that consists of a business case to consider alternative options to continue service delivery should there be a disruption in funding from the Province. The current funding agreement with the Province runs until March 31, 2022, and so the contingency plan will be developed and shared with Senior Leadership to give time to consider the best option and align with the budget process for 2022 if required.

There are operational instructions and standards that are followed in regards to current operations like business consultation support and seminar delivery, but these instructions should be updated and formalized into procedures to ensure all staff are clear on business unit expectations. Being partially funded by the Ministry of Economic Development, Job Creation and Trade, the Small Business Enterprise Centre uses the deliverables in the contractual agreement with the Ministry to guide some of their operations. Combining those deliverables with internal-initiated requirements would provide further clarity of how to achieve expectations.

Actions have already been taken to ensure there are clearer processes, for example to ensure accuracy in metrics. However, Management will build the framework for SOPs based on the recommendation above by Q1 2021, with a full roll-out to the business unit of the formalized SOPs by Q3 2021.

Internal Audit will follow up on the status of the outstanding management action plans related to this audit and will report the status to the appropriate Committee.

**For more information**, please contact Kevin Shapiro, Director of Internal Audit, ext. 8293

### **Attachments**

Not applicable.

### **Prepared by**

Rebecca Burchert, Audit Project Manager, extension 8124

### **Approved by**

A handwritten signature in black ink, appearing to be 'K. Shapiro', with a long horizontal flourish extending to the right.

Kevin Shapiro, Director of Internal Audit