

THE CITY OF TORONTO

Clerk's Department

Minutes of the Audit Committee

Meeting No. 6

Friday, September 11, 1998.

The Audit Committee met on Friday, September 11, 1998, in Committee Room C, 2nd Floor, Metro Hall, Toronto, commencing at 2:00 p.m.

Members Present:

Councillor Mahood, Chair
Councillor Adams
Councillor Bussin
Councillor Holyday
Councillor Lindsay-Luby
Councillor Minnan-Wong
Councillor Sgro

Confirmation of Minutes

On motion by Councillor Holyday, the Minutes of the meeting of the Audit Committee on July 21, 1998 were confirmed.

68. Reporting Relationship of The Audit Committee and The City Auditor

The Audit Committee had before it a report (August 10, 1998) from the City Clerk forwarding Clause No. 8 contained in Report No. 10 of The Special Committee to Review the Final Report of the Toronto Transition Team headed, "Reporting Relationship of the Audit Committee and the City Auditor", which was adopted, without amendment, by the Council of the City of Toronto at its meeting held on July 29, 30 and 31, 1998; and in so doing adopted the following:

That the Procedural By-law be amended to provide that:

- (1) the Audit Committee report directly to Council; and
- (2) the City Auditor report to Council through the Audit Committee.

On motion by Councillor Lindsay-Luby, the Audit Committee received the transmittal letter (August 10, 1998) from the City Clerk.

(Letter to Strategic Policies and Priorities Committee
- September 14, 1998)

69. Audit Division Restructuring and Staff Redeployment - Update

The Audit Committee had before it a report (August 31, 1998) from the City Auditor respecting an update on the Audit Division Restructuring and Staff Redeployment and recommending receipt of the report for information.

On motion by Councillor Sgro, the Audit Committee received the report (August 31, 1998) from the City Auditor.

(Letter to Strategic Policies and Priorities Committee
- September 14, 1998)

70. 1997 Over-Expenditure - Information Services Division - Former City of Toronto

The Audit Committee had before it a report (June 23, 1998) from the City Auditor respecting the 1997 Over-Expenditure - Information Services Division - Former City of Toronto and recommending that:

- (1) in view of the budget implications, the Commissioner of Corporate Services report the 1997 over-expenditures in the Information Technology Services Division (ITSD) of the former City of Toronto and the action taken to date, to the Budget Committee, for information;
- (2) the Executive Director, Information Technology perform a review of the agreement with the outside provider of data processing services at the former City of Toronto, to confirm the nature of services provided, the cost of all charges and the budget implications on the division's 1998 and future budgets;
- (3) the 1998 budget of the Information Technology Division be monitored to determine the potential impact of unbudgeted commitments on the division, and appropriate action taken; and
- (4) the Chief Financial Officer and Treasurer finalize the necessary budget control processes, including the provision of effective management reports, to assist

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departments in monitoring expenditures against budget. (Deferred from July 21, 1998 meeting)

The Audit Committee also had before it the following reports:

- (June 26, 1998) from the Commissioner of Corporate Services, responding to the City Auditor.
- (August 19, 1998) from the Commissioner of Corporate Services providing more information to Audit Committee, as requested at its meeting held on July 21, 1998.

On motion by Councillor Minnan-Wong, the Audit Committee recommended to the Strategic Policies and Priorities and to City Council that the report (June 23, 1998) from the City Auditor be adopted.

(Letter to Strategic Policies and Priorities Committee
- September 14, 1998)

71. Management Letter - Committee of Management for McCormick Playground Arena

The Audit Committee again had before it a report (June 24, 1998) from the City Auditor respecting the Management Letter for the Committee of Management for McCormick Playground Arena and recommending that the 1997 management letter and corresponding response relating to the audit of the financial statements of the Committee of Management for McCormick Playground Arena, be received and forwarded to Council for information.

The 1997 Management Letter and response were forwarded to all Members of Council with the agenda for the Audit Committee meeting held on September 11, 1998.

On motion by Councillor Sgro, the Audit Committee advised the Strategic Policies and Priorities Committee that it received the report (June 24, 1998) from the City Auditor, forwarding the 1997 Management Letter and corresponding response relating to the audit of the financial statements of the Committee of Management for McCormick Playground Arena, and forwarded the report to the Strategic Policies and Priorities Committee and City Council for information.

(Letter to Strategic Policies and Priorities Committee
- September 14, 1998)

72. Management Letter - Metropolitan Toronto Pension Plan and Metropolitan Toronto Police Benefit Fund

The Audit Committee had before it a report (August 5, 1998) from the City Auditor respecting the Management Letter for the Metropolitan Toronto Pension Plan and Metropolitan Toronto Police Benefit Fund and recommending that the 1997 management letter and the corresponding response relating to the audits of the accounts of the Metropolitan Toronto Pension Plan and Metropolitan Toronto Police Benefit Fund of the Department of Finance, be received for information.

The Audit Committee also had before it a report (August 31, 1998) from the Chief Financial Officer and Treasurer responding to issues raised in the City Auditor's 1997 Management letter as it specifically relates to the Metropolitan Toronto Pension Plan and the Metropolitan Toronto Police Benefit Fund and recommending that the foregoing report be received for information.

The 1997 Management Letter and response were forwarded to all Members of Council with the agenda for the Audit Committee meeting held on September 11, 1998.

On motion by Councillor Lindsay-Luby, the Audit Committee advised the Strategic Policies and Priorities Committee that it received the report (August 5, 1998) from the City Auditor, forwarding the 1997 Management Letter and corresponding response relating to the audit of the accounts of the Metropolitan Toronto Pension Plan and Metropolitan Toronto Police Benefit Fund of the Department of Finance, and forwarded the report to the Strategic Policies and Priorities Committee and City Council for information.

(Letter to Strategic Policies and Priorities Committee
- September 14, 1998)

73. Management Letter - Metropolitan Toronto Homes For The Aged Division - Year Ended December 31, 1997

The Audit Committee had before it a report (August 31, 1998) from the City Auditor respecting the Management Letter for the Metropolitan Toronto Homes for the Aged Division for the year ended December 31, 1997, and recommending that the management letter of the Metropolitan Toronto Homes for the Aged Division dated April 23, 1998, be received for information.

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The Audit Committee also had before it a joint report (August 26, 1998) from the Commissioner of Community and Neighbourhood Services and General Manager, Homes for the Aged Division forwarding the response and action plan of the Homes for the Aged Division, to the recommendations contained in the Management Letter, outlined in the foregoing report and recommending that the report be received for information.

The 1997 Management Letter was forwarded to all Members of Council with the agenda for the Audit Committee meeting held on September 11, 1998.

On motion by Councillor Lindsay-Luby, the Audit Committee advised the Strategic Policies and Priorities Committee that it received the report (August 31, 1998) from the City Auditor, forwarding the 1997 Management Letter relating to the Metropolitan Toronto Homes for the Aged Division and the response (August 26, 1998) from the Commissioner of Community and Neighbourhood Services, and forwarded them to the Strategic Policies and Priorities Committee and City Council for information.

(Letter to the Strategic Policies and Priorities Committee - September 14, 1998)

74. Management Letter - Metropolitan Toronto Housing Company Limited - Year Ended December 31, 1997

The Audit Committee had before it a report (August 27, 1998) from the City Auditor respecting the Management Letter for the Metropolitan Toronto Housing Company Limited for the year ended December 31, 1997, and recommending that the management letter of the Metropolitan Toronto Housing Company Limited dated May 15, 1998, be received for information.

The Audit Committee also had before it a report (August 4, 1998) from the Corporate Secretary, Metropolitan Toronto Housing Company Limited forwarding the response of the Board of Directors of the Metropolitan Toronto Housing Company Limited to the Management Letter and advising that the Board received, as information, the report from the General Manager, together with the Auditor's Report and Management's Response on the review of internal controls and accounting procedures of the Housing Company.

The 1997 Management Letter and response were forwarded to all Members of Council with the agenda for the Audit Committee meeting held on September 11, 1998.

On motion by Councillor Lindsay-Luby, the Audit Committee advised the Strategic Policies and Priorities Committee that it received the report (August 27, 1998) from the City Auditor, forwarding the Management Letter relating to the Metropolitan Toronto Housing Company for the year ended December 31, 1998, and the response from the Board of Directors set out in the transmittal letter dated August 4, 1998 from the Corporate Secretary, and forwarded them to the Strategic Policies and Priorities Committee and City Council for information.

(Letter to the Strategic Policies and Priorities Committee - September 14, 1998)

75. Management Letter - Exhibition Place

The Audit Committee had before it a report (July 28, 1998) from the City Auditor respecting the Management Letter for Exhibition Place and recommending that the management letter for Exhibition Place be received for information.

The Audit Committee also had before it a report (July 13, 1998) from the Director of Finance and Interim General Manager, Exhibition Place forwarding the response of the Board of Governors of Exhibition Place and recommending receipt of the foregoing report.

The 1997 Management Letter and response were forwarded to all Members of Council with the agenda for the Audit Committee meeting held on September 11, 1998.

On motion by Councillor Holyday, the Audit Committee advised the Strategic Policies and Priorities Committee that it received the report (July 13, 1998) from the City Auditor, forwarding the Management Letter relating to Exhibition Place for the year ended December 31, 1997, and the response (July 13, 1998) from Mr. Harris Hunter, Director of Finance and Ms. Dianne Young, Interim General Manager, Exhibition Place, and forwarded them to the Strategic Policies and Priorities Committee and City Council for information.

(Letter to the Strategic Policies and Priorities Committee - September 14, 1998)

76. Management Letter - Audit of the Accounts of the Former City of York

The Audit Committee again had before it a communication (June 24, 1998) from KPMG, Chartered Accountants forwarding the Management Letter respecting the Audit of the Accounts of the former City of York for the year ended December 31, 1997.

The 1997 Management Letter was forwarded to all Members of Council with the agenda for the Audit Committee meeting held on September 11, 1998.

On motion by Councillor Lindsay-Luby, the Audit Committee advised the Strategic Policies and Priorities Committee that it received the communication (June 24, 1998) from KPMG Chartered Accountants forwarding the 1997 Management Letter relating to the audit of the financial statements of the former City of York and forwarded it to the Strategic Policies and Priorities Committee and City Council for information.

(Letter to the Strategic Policies and Priorities Committee - September 14, 1998)

77. Financial Statements of the Kennedy Road Business Improvement Plan

The Audit Committee again had before it a report (July 17, 1998) from the Chief Financial Officer and Treasurer respecting the Financial Statements of the Kennedy Road Business Improvement Plan and recommending that the Financial Statements of the Kennedy Road Business Improvement Plan be received for information.

The 1997 Financial Statements were forwarded to all Members of Council with the agenda for the Audit Committee meeting held on September 11, 1998.

On motion by Councillor Lindsay-Luby, the Audit Committee advised the Strategic Policies and Priorities Committee that it received the report (July 17, 1998) from the Chief Financial Officer and Treasurer forwarding the 1997 Financial Statements of the Kennedy Road Business Improvement Plan and forwarded it to the Strategic Policies and Priorities Committee and City Council for information.

(Letter to the Strategic Policies and Priorities
Committee - September 14, 1998)

78. Corso Italia Business Improvement Area (BIA)

The Audit Committee had before it a report (August 28, 1998) from the City Auditor respecting Corso Italia Business Improvement Area (BIA) and recommending that:

- (1) the report (August 28, 1998) be forwarded to the Corso Italia Board of Management and that the administrative improvements outlined in the report be implemented;
- (2) the City Auditor conduct a review, in consultation with the Commissioner of Economic Development, Tourism and Culture, with respect to the administration of Business Improvement Areas, such review to include the handling of surpluses/deficits, accounting, preparation of financial statements and other related issues, to ensure proper business practices and procedures are followed by all BIA's across the City; and
- (3) the report (August 28, 1998) be forwarded to the Budget Committee for information.

On motion by Councillor Minnan-Wong, the Audit Committee adopted the report (August 28, 1998) from the City Auditor.

(Letter to City Auditor, Budget Committee, Corso Italia Board of Management, Commissioner of Economic Development, Tourism and Culture - September 14, 1998)

79. Chlorine Contract

The Audit Committee had before it a report (August 4, 1998) from the City Auditor providing a commencement date respecting the award of a contract to supply chlorine, as requested by Council, and recommending that the report be received for information.

On motion by Councillor Lindsay-Luby, the Audit Committee received the report (August 4, 1998) from the City Auditor for information.

80. Relocation of Canada's Sports Hall of Fame to Ottawa

The Audit Committee had before it a report (August 31, 1998) from the City Auditor reporting as requested, respecting the relocation of Canada's Sports Hall of Fame to Ottawa and recommending that the report be received for information.

On motion by Councillor Holyday, the Audit Committee received the report (August 31, 1998) from the City Auditor for information.

81. Sheppard Subway Project Cost Overruns

The Audit Committee had before it a report (August 31, 1998) from the City Auditor respecting the Sheppard Subway Project Cost Overruns and recommending that the report be received for information and forwarded to the Budget Committee.

The Audit Committee also had before it a report (July 15, 1998) from the Budget Committee forwarding a copy of the communication (July 10, 1998) from the Toronto Transit Commission, and the action of the Committee from its meeting of July 13, 1998, requesting that the Audit Committee meet as soon as possible on the cost overruns of the Sheppard Subway line.

On motion by Councillor Holyday, the Audit Committee recommended to the Strategic Policies and Priorities Committee and City Council that the City Auditor be requested to review the management process relating to the Sheppard Subway and report in particular on the following:

- (1) the agreement with Cadillac Fairview;
- (2) the land acquisition process;
- (3) the budgeting approval process; and
- (4) the status of development levies.

(Letter to Strategic Policies and Priorities Committee
- September 14, 1998)

82. Use of Long Term Consultants

The Audit Committee had before it a report (August 31, 1998) from the City Auditor respecting the use of long term consultants and recommending that:

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- (1) all consulting contracts should be awarded in accordance with By-Law No. 7-1998 and in accordance with City of Toronto policy;
- (2) in accordance with past practice, a report be prepared for the information of Council by the Commissioner of Works and Emergency Services indicating the status of all long term consulting contracts and related expenditures;
- (3) the standard report on the status of all long term consulting contracts and related expenditures be expanded to include all future commitments, as well as the expected completion date of the appropriate contracts;
- (4) all consultants with long term contracts should be required to provide annual financial statements accompanied by a certificate of an auditor licensed under The Public Accountancy Act stating that, in his opinion, the fees charged to the City for the year are appropriate;
- (5) the Chief Administrative Officer be requested to report to Council every six months on the use of consultants by the City and all its Agencies, Boards and Commissions;
- (6) all departments be requested to identify and report to the City Finance Department consulting arrangements with individuals including incorporated individuals. In addition, Finance staff evaluate all such contracts to determine whether or not an employee/employer relationship exists. If this relationship does exist, appropriate employee deductions should be made;
- (7) the City Solicitor be requested to report on whether or not the extent of staff involvement in various consultant's design projects would impact any future legal claim in relation to design issues; and
- (8) the report (August 31, 1998) be forwarded to the Works and Utilities Committee for their information.

On motion by Councillor Mahood, the Audit Committee recommended to the Strategic Policies and Priorities Committee and City Council that the report (August 31, 1998) from the City Auditor respecting the use of long term consultants, be adopted; and

On motion by Councillor Holyday, the Audit Committee recommended to the Strategic Policies and Priorities Committee and City Council that the firm of Gore and Storrie Limited be put on notice that the City of Toronto requires audited statements from them, of the summary of expenses covering the five

year period from 1993 to 1997, within sixty days of approval of this action by Council.

The Audit Committee also requested the City Auditor to report back to the Audit Committee on the possibility of a clause being inserted in new construction contracts that if audited financial statements are not submitted within a certain period of time, a financial penalty will be assessed.

(Letter to the Strategic Policies and Priorities Committee; City Auditor - September 14, 1998)

83. Review of The Financial Viability of The Ford Centre and an Agreement Between The City of Toronto and Live Ent

The Audit Committee had before it a communication (September 1, 1998) from Councillor Moscoe requesting that the City Auditor investigate the financial viability of the Ford Centre and the agreement between the City of Toronto and Live Ent.

The Audit Committee deferred this matter to its next meeting and requested the City Auditor to report at that time on his work priorities and also requested him to meet with Councillor Moscoe to discuss his specific concerns.

(Letter to the City Auditor and Councillor Moscoe - September 14, 1998)

84. Theft at Toronto Zoo

On motion by Councillor Adams, the Audit Committee requested that the City Auditor, in writing, remind the appropriate City facilities of the City's policy that a minimal amount of cash be kept in the relevant facility and that he verbally report any further developments respecting the theft at the Zoo at the next meeting.

85. External Financial Auditors

On motion by Councillor Mahood, the Audit Committee requested the City Auditor to report to its next meeting on

- (1) policies and procedures that should be followed by Members of Council or Civic Officials when they request the City Auditor, in writing, to look into various matters, including that such requests shall be submitted to the Audit Committee for approval subject to the caveat that the City Auditor can satisfy any requests that, in his opinion and through discussion with the Chair of the Audit Committee, must be acted upon before receiving approval from the Audit Committee or City Council; and
- (2) a prioritized workplan of audits currently requested by members of Council and civic officials and audits that are recommended by the City Auditor.

(Letter to City Auditor - September 14, 1998)

86. Election of Vice Chair

On motion by Councillor Sgro, the Audit Committee elected Councillor Lindsay-Luby as its Vice Chair.

87. Next Meeting

The Audit Committee cancelled its next meeting scheduled for October 6, 1998, and decided to meet at 9:30 a.m. on November 3, 1998, or sooner if necessary, at the call of the Chair.

88. Metropolitan Toronto Coach Terminal Inc. - Financial Statements - Year Ended December 31, 1997

The Audit Committee again had before it a report (July 14, 1998) from the Urban Environment and Development Committee forwarding a communication (June 23, 1998)

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from the General Secretary, Metropolitan Toronto Coach Terminal Inc. (MTCTI) regarding MTCTI's Financial Statements for the year ended December 31, 1997, and advising that the Urban Environment and Development Committee received the aforementioned Financial Statements and requested the General Secretary, Metropolitan Toronto Coach Terminal Inc. to submit a report to the Audit Committee regarding Note (6) "Economic Dependence".

The Audit Committee also had before it a confidential report (July 20, 1998) from the General Secretary, Metropolitan Toronto Coach Terminal Inc. responding to the request of the Urban Environment and Development Committee arising from the July 13, 1998, meeting, concerning Note 6 to the Financial Statements.

The 1997 Financial Statements were forwarded to all Members of Council with the agenda for the Audit Committee meeting held on September 11, 1998.

At 4:00 p.m., on motion by Councillor Lindsay-Luby, the Committee adjourned its public session to meet in camera to consider matters, the subject of which dealt with the security of the property of the municipal or local board and litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board.

Members Present:

Councillor Mahood, Chair
Councillor Adams
Councillor Bussin
Councillor Holyday
Councillor Lindsay-Luby
Councillor Sgro

The Audit Committee resumed its public session at 4:20 p.m.

Members Present:

Councillor Mahood, Chair
Councillor Adams
Councillor Bussin
Councillor Holyday
Councillor Lindsay-Luby
Councillor Sgro

On motion by Councillor Lindsay-Luby, the Audit Committee advised the Strategic Policies and Priorities Committee that it received the 1997 Financial Statements for the Metropolitan Toronto Coach Terminal Inc. attached to the transmittal letter (July 14, 1998) from the City Clerk and the confidential report (July 20, 1998) from the General

Secretary, Metropolitan Toronto Coach Terminal Inc., and forwarded them to the Strategic Policies and Priorities Committee and City Council for information.

(Letter to Strategic Policies and Priorities Committee
- In Camera - September 14, 1998)

89. Compliance Audit of Election Campaign Finances of a Candidate

The Audit Committee had before it an In Camera report (August 28, 1998) from the City Auditor recommending that City Legal Department be required to report directly to the next meeting of Council on the legal implications and options pertaining to the issues identified in this report.

On motion by Councillor Adams, the Audit Committee advised that it had requested the City Solicitor to report to the Strategic Policies and Priorities Committee on September 24, 1998, In Camera, on the legal implications and options pertaining to the issues identified in the report (August 28, 1998) from the City Auditor.

(In Camera Letter to Strategic Policies and Priorities Committee; City Solicitor - September 14, 1998)

The meeting adjourned at 4:20 p.m.

Chair.