

**THE CITY OF TORONTO**

**Clerk's Department**

**Minutes of the Audit Committee**

**Meeting No. 8**

**Tuesday, December 1, 1998.**

The Audit Committee met on Tuesday, December 1, 1998, in Committee Room 314, 3rd Floor, Metro Hall, Toronto, commencing at 9:30 a.m.

Members Present:

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

Regrets:

Councillor Sgro

**94. 1998 Audit Planning Document**

The Audit Committee had before it a communication (November 19, 1998) from Ernst and Young, External Auditors recommending that the report entitled "City of Toronto - Report to the Audit Committee - 1998 Audit Planning", be received for information.

The following representatives from Ernst and Young, Chartered Accountants, made a presentation to the Committee:

Mr. Ian Bowell;  
Mr. Mike Connolly;  
Ms. Karen Kinnaird; and  
Ms. Diana Brouwer.

On motion by Councillor Lindsay-Luby, the Audit Committee received the report (November 19, 1998) from Ernst and Young, External Auditors entitled, "City of Toronto - Report to the Audit Committee, 1988 Audit Planning" for information.

**(Report 2 Clause 3(a))**

**95. Auditor General's Office**

The Audit Committee had before it a report (November 5, 1998) from the City Auditor respecting the Auditor General's Office and recommending that City Council continue with the present City Audit structure which includes a direct reporting relationship through the Audit Committee to Council and not establish a separate Auditor General's office.

Councillor Lindsay-Luby assumed the Chair.

On motion by Councillor Mahood, the Audit Committee recommended that:

- (1) City Council continue with the present City Audit structure which includes a direct reporting relationship through the Audit Committee to Council and not establish a separate Auditor General's office; and
- (2) the matter be reviewed in December, 1999.

The following motions were voted on and lost:

By Councillor Bussin:

“That consideration of this matter be deferred until December, 1999.”

By Councillor Minnan-Wong:

- (1) “That the City request the provincial auditor of the Government of Ontario to evaluate the merits of the creation of an Auditor General's Office, and that this evaluation be completed by November, 1999”;
- (2) “That the City retain an outside consultant to evaluate the merits of the creation of an Auditor General's Office.”

By Councillor Bussin:

“That, prior to engaging an outside consultant to evaluate the merits of the creation of an Auditor General’s Office (as per part 2 of Councillor Minnan-Wong’s motion), the Audit Committee be advised of the cost.”

By Councillor Lindsay-Luby:

“That the City of Toronto request the provincial auditor to comment on the merits of the creation of an Auditor General’s office for the City.”

Councillor Mahood resumed the Chair.

**(Report 2 Clause 1)**

**96. Corporate Variance Reporting**

The Audit Committee had before it a report (November 20, 1998) from the City Auditor reporting as requested by the Audit Committee at its meeting on July 21, 1998, on the variance reports on the 1998 City’s Budget and recommending that the report be received and forwarded to the Budget Committee for information.

On motion by Councillor Lindsay-Luby, the Audit Committee received the report (November 20, 1998) from the City Auditor respecting Corporate Variance Reporting and forwarded same to the Budget Committee for information.

(Letter sent to Budget Committee; c: City Auditor - December 4, 1998)

**(Report 2 Clause 3(b))**

**97. Corso Italia Business Improvement Area**

The Audit Committee had before it a communication (November 18, 1998) from Mr. Frank Fazzari, Chairperson, Corso Italia BIA responding to the City Auditor’s report on the importance of implementing proper accounting practices, the documenting of board meeting minutes as well as several other suggestions pertaining to BIA operating guidelines.

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On motion by Councillor Lindsay-Luby, the Audit Committee received the communication (November 18, 1998) from Mr. Frank Fazzari, Chairperson Corso Italia BIA, responding to the City Auditor's report on the importance of implementing proper accounting practices, the documenting of board meeting minutes as well as several other suggestions pertaining to BIA operating guidelines.

**(Report 2 Clause 3(c))**

**98. Chemical Pricing**

The Audit Committee had before it a report (November 20, 1998) from the City Auditor respecting Chemical Pricing and recommending that:

- (1) the recommendations contained in the report be implemented;
- (2) the Purchasing and Materials Management Division (City Purchasing) communicate to city departments the approval and other requirements under the interim financial control and purchasing by-laws, as well as related purchasing policies and procedures, and confirm the roles and responsibilities of the Division and user departments with respect to the procurement of goods and services; and
- (3) the report be forwarded to the Works and Utilities Committee for information.

At 10:40 a.m., on motion by Councillor Lindsay-Luby, the Audit Committee adjourned its public session to meet in camera to consider a matter, the subject of which dealt with litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board.

Members Present:

Councillor Mahood  
Councillor Adams  
Councillor Bussin  
Councillor Holyday  
Councillor Lindsay-Luby

Also Present:

Councillor Jakobek

The Audit Committee resumed its public session at 11:40 a.m.

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Members Present:

Councillor Mahood  
Councillor Adams  
Councillor Bussin  
Councillor Holyday  
Councillor Lindsay-Luby

Also Present:

Councillor Jakobek

The Audit Committee recommended that:

On motion by Councillor Lindsay-Luby:

- (1) (a) the Purchasing and Materials Management Division implement a more proactive price comparison process, which would include conducting regular price comparisons with other organizations and against published price lists and industry standards, where possible;
- (b) the Purchasing and Materials Management Division consider adding a clause to the City's Request for Quotation, Tender or Proposal documents, alerting suppliers that pre-bid information exchange among competitors is a criminal offence. This should be done in consultation with the City Legal Services;
- (2) (a) in the event two or more suppliers offer the same lowest bid for the provision of goods or services, the contract be awarded to one supplier based on other evaluation criteria;
- (b) the Purchasing and Materials Management Division consult with Legal Services on any legal issues that should be considered in awarding a contract to only one supplier in the

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case of two or more tied low bids, and on any additional clauses that should be added to the City's purchasing documents (Request for Quotations, Request for Tender, etc.) to protect the City's interests accordingly;

- (3) upon the expiry of the existing contract in December 2000, the purchase of ferric chloride (soluble iron salts) be done through an open bid competition, coordinated by the Purchasing and Materials Management Division;
- (4) the performance bond be located and kept on file until expiration of the contract with Eaglebrook Inc. of Canada;
- (5) the Purchasing and Materials Management Division consult with Legal Services to clarify whether the cost of renewal options are to be taken into consideration when determining the value of a commitment/contract for approval purposes, and that such clarification be communicated to all applicable the Purchasing and Materials Management Division staff and departments;
- (6)
  - (a) the Purchasing and Materials Management Division, in consultation with the Water and Wastewater Services Division, investigate the feasibility of having multiple chemicals included in a Request for Tenders/Quotations and whether there would be any price advantages of allowing suppliers to bid on more than one chemical on the same tender;
  - (b) the Purchasing and Materials Management Division, in consultation with the Water and Wastewater Services Division, consider requesting quotations for contract terms beyond

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one-year for all chemicals, as appropriate;

- (7) (a) in order to minimize the number of purchase order adjustments issued, purchase orders should cover a full twelve-month period;
  - (b) staff allow for sufficient lead time for product testing and other procedures so that a decision is made on the award of a new purchase order before the existing one expires;
- (8) the Purchasing and Materials Management Division (City Purchasing) communicate to city departments the approval and other requirements under the interim financial control and purchasing by-laws, as well as related purchasing policies and procedures, and confirm the roles and responsibilities of the Division and user departments with respect to the procurement of goods and services;

On motion by Councillor Adams:

- (9) City Council request the Association of Municipalities of Ontario to encourage all Ontario municipalities to allow for the exchange of information on unit prices and bids for the supply of goods and services to municipalities, to facilitate price comparison, in the interests of municipal taxpayers; and

On further motion by Councillor Lindsay-Luby:

- (10) the report (November 20, 1998) from the City Auditor be forwarded to the Works and Utilities Committee for information.

On further motion by Councillor Lindsay-Luby, the Audit Committee also requested that the City Auditor be advised of all future chemical purchasing contracts

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prior to their being awarded, and also requested the City Auditor to advise the Audit Committee of any concerns he may have concerning the contracts.

**(Report 2 Clause 2)**

(Letter sent to Commissioner of Economic Development, Culture and Tourism; Commissioner of City Works and Emergency Services; Chief Financial Officer and Treasurer; c: Corporate Services - Legal Division; Finance - Purchasing and Materials Management Division; Economic Development, Culture and Tourism - Parks and Recreation Division; City Auditor - December 4, 1998)

The meeting adjourned at 11:50 a.m.

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Chair.