

THE CITY OF TORONTO

Clerk's Department

Minutes of the Audit Committee

Meeting No. 2

Tuesday, May 25, 1999

The Audit Committee met on Tuesday, May 25, 1999, in Committee Room 2, 2nd Floor, City Hall, commencing at 10:00 a.m.

2.1 Investment Policy Compliance

The Audit Committee had before it a report (February 1, 1999) from the City Auditor respecting Investment Policy Compliance, recommending that:

- (1) monthly reporting procedures be put in place by City Finance staff relating to the investing of City Funds. Such reporting procedures to include details of all investments held and maturity dates of such investments. The review of monthly reports be conducted by staff independent of the investment function and include an analysis as to whether or not the City's investment policies and procedures are complied with. Evidence of the review be documented in writing. Immediate and appropriate action be taken for all instances of non compliance;
- (2) City Finance staff seek legal advice and clarification relating to the scope of the Council approved policy entitled "Investment Policy and Procedures" and determine whether or not such policy applies to Agencies, Boards and Commissions. If it is determined that the policy does apply to these entities, management of the City Finance Department forward the policy to staff of all Agencies, Boards and Commissions for which the policy is deemed to be applicable. All applicable Agencies, Boards and Commissions be advised that they are required to comply with such policy;
- (3) where practical, consideration be given to the consolidation of Agencies, Boards and Commissions investing activities by the City Finance staff. In addition, the decision on whether to consolidate should consider whether or not the services of outside professional investment managers are utilized, the practicality based on dollar amounts and the average length of terms investments are held, the types of investments allowed under legislation and the degree of control exercised by the City over the Agencies, Boards and Commissions;
- (4) a reporting procedure be put in place by City Finance staff relating to the investing activities of those Agencies, Boards and Commissions for which the policy is deemed applicable. The reporting procedure be consistent with those recommendations as outlined under Recommendation 1;

- (5) consolidated financial reporting of all City investments be reported to Council on a more regular basis than once a year;
- (6) Management take immediate action to ensure compliance with policy limits on maximum amounts and durations of specific investments;
- (7) the document approved by Council entitled "Investment Policy and Procedures" be finalized, particularly in terms of addressing key management administrative procedures;
- (8) performance benchmarks for investment returns be set for those funds administered by the City without an established performance benchmark;
- (9) the investment policy and procedures manual be amended and updated to include the York Employees' Pension and Benefit Fund. Clarification be sought in regards to the responsibility for the investment of the assets of this fund; and
- (10) appropriate staff be requested to provide a complete and updated reconciliation of all investment balances at the City. This information be submitted to senior staff for their review and approval. Evidence of approval be documented in writing. Specific deadlines be set for the preparation of such reconciliations. Reconciliation of the investment portfolio to the general ledger be performed on a monthly basis for all investment funds.

The Audit Committee also had before it a report (March 31, 1999) from the Chief Financial Officer and Treasurer respecting Finance Department's Response report "Investment Policy Compliance" and recommending that this report be considered with the City Auditor's report and received as information.

The Audit Committee recommended to City Council that:

On motion by Councillor Holyday:

- (1) monthly reporting procedures be put in place by the Chief Financial Officer and Treasurer, or her designate, relating to the investing of City Funds. Such reporting procedures to include details of all investments held and maturity dates of such investments. The review of monthly reports be conducted by the Chief Financial Officer and Treasurer, or her designate, independent of the investment function and include an analysis as to whether or not the City's investment policies and procedures are complied with. Evidence of the review be documented in writing. Immediate and appropriate action be taken for all instances of non compliance;
- (2) the Chief Financial Officer and Treasurer, or her designate, seek legal advice and clarification relating to the scope of the Council approved policy entitled

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“Investment Policy and Procedures” and determine whether or not such policy applies to Agencies, Boards and Commissions. If it is determined that the policy does apply to these entities, the Chief Financial Officer and Treasurer, or her designate, forward the policy to staff of all Agencies, Boards and Commissions for which the policy is deemed to be applicable. All applicable Agencies, Boards and Commissions be advised that they are required to comply with such policy;

- (3) where practical, consideration be given to the consolidation of Agencies, Boards and Commissions investing activities by the Chief Financial Officer and Treasurer, or her designate. In addition, the decision on whether to consolidate should consider whether or not the services of outside professional investment managers are utilized, the practicality based on dollar amounts and the average length of terms investments are held, the types of investments allowed under legislation and the degree of control exercised by the City over the Agencies, Boards and Commissions;
- (4) a reporting procedure be put in place by the Chief Financial Officer and Treasurer, or her designate, relating to the investing activities of those Agencies, Boards and Commissions for which the policy is deemed applicable. The reporting procedure be consistent with those recommendations as outlined under Recommendation 1;

On motion by Councillor Mahood:

- (5) consolidated financial reporting of all City investments be reported to Council on a quarterly basis;

On further motion by Councillor Holyday:

- (6) the Chief Financial Officer and Treasurer, or her designate, take immediate action to ensure compliance with policy limits on maximum amounts and durations of specific investments;
- (7) the document approved by Council entitled “Investment Policy and Procedures” be finalized, particularly in terms of addressing key management administrative procedures;
- (8) performance benchmarks for investment returns be set for those funds administered by the City without an established performance benchmark;
- (9) the investment policy and procedures manual be amended and updated to include the York Employees’ Pension and Benefit Fund. Clarification be sought in regards to the responsibility for the investment of the assets of this fund; and
- (10) the Chief Financial Officer and Treasurer, or her designate, be requested to provide a complete and updated reconciliation of all investment balances at the City. This

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information be submitted to senior staff for their review and approval. Evidence of approval be documented in writing. Specific deadlines be set for the preparation of such reconciliations. Reconciliation of the investment portfolio to the general ledger be performed on a monthly basis for all investment funds.

The Audit Committee also:

On motion by Councillor Holyday:

- (1) requested the City Auditor to report to the Audit Committee on any comments he may have with respect to the performance benchmarks, as set out in Recommendation No. (8) above;

On motion by Councillor Lindsay-Luby, with Councillor Sgro in the Chair:

- (2) requested that the report from the City Solicitor requested in Recommendation No. (2) be submitted to the Audit Committee and the A.B.C. Reduction Task Force as soon as possible;

On motion by Councillor Sgro:

- (3) subject to the opinion of the City Solicitor, requested the City Auditor to report to the Audit Committee on the status of the Agencies, Boards and Commissions with respect to Investment Policy Compliance; and
- (4) forwarded the reports (February 1, 1999) from the City Auditor and (March 31, 1999) from the Chief Financial Officer and Treasurer to the A.B.C. Reduction Task Force for information.

(Letter sent to: City Auditor; City Solicitor; cc: A.B.C. Reduction Task Force - June 1, 1999)

(Report 4 - Clause 1)

2.2 Follow-up of 1997 Management Letters of the Former Municipalities

The Audit Committee had before it a report (April 26, 1999) from the City Auditor respecting Follow-up of 1997 Management Letters of the Former Municipalities and recommending that:

- (1) for those recommendations, contained in the 1997 management letters of the former municipalities which have not yet been implemented, as outlined in Attachment I, the Chief Financial Officer and Treasurer:
 - (a) submit to the Audit Committee an action plan with specific time lines and staff responsibility for implementation; and
 - (b) report to the Audit Committee on the status of the implementation process prior to December 31, 1999.

The Audit Committee also had before it a report (May 13, 1999) from the Chief Financial Officer and Treasurer respecting 1997 Management Letter Follow-up and recommending that this report be received for information and that the Chief Financial Officer and Treasurer report to the Audit Committee on the status of the implementation process in December 31, 1999.

The Audit Committee:

On motion by Councillor Mahood:

- (1) directed that the implementation date for the completion of Recommendation Nos. (1) and (2) of the former Municipality of Metropolitan Toronto, respecting Environmental Liabilities, as set out in Attachment 1 of the report (April 26, 1999) from the City Auditor, be the first quarter of the year 2000;

On motion by Councillor Lindsay-Luby, with Councillor Mahood in the Chair:

- (2) directed that the implementation date for the completion of Recommendation No. (33) respecting Revenue from Fines to be recorded on an accrual basis, as set out in Attachment 1 of the report (April 26, 1999) from the City Auditor, be December, 2000;
- (3) forwarded Recommendation No. (38) contained in Attachment 1 of the report (April 26, 1999) from the City Auditor, to the A.B.C. Reduction Task Force; and

On motion by Councillor Sgro:

- (4) adopted the foregoing report (April 26, 1999) from the City Auditor, as amended by Recommendation Nos. (1) and (2).

(Letter sent to Chief Financial Officer; A.B.C. Reduction Task Force; cc: City Auditor - June 1, 1999)

2.3 Results of The City Of Toronto Audit on The Toronto Police Service Metropolis Project & Response

The Audit Committee had before it a report (April 26, 1999) from the Chairman, Toronto Police Services Board, respecting Results of The City Of Toronto Audit on The Toronto Police Service Metropolis Project & Response and recommending:

- (1) That the City of Toronto Audit Committee receive the following report for information; and
- (2) That the City of Toronto Audit Committee forward this report to the next meeting of Council for information.

The Audit Committee also had before it a report (May 10, 1999) from the City Auditor respecting the Review of the Metropolis Project - Police Services - One Page Report.

On motion by Councillor Sgro, the Audit Committee received the foregoing reports (April 26, 1999) from the Chairman, Toronto Police Services Board and (May 10, 1999) from the City Auditor and directed that said reports be forwarded to Council for information.

On further motion by Councillor Sgro, the Audit Committee also requested the Toronto Police Services Board to submit a copy of the business plan for the marketing of the Metropolis Project to the next regular meeting of the Audit Committee, and having requested that a member of the police service attend the next regular meeting of the Audit Committee.

(Letter sent to: Chair, Toronto Police Services Board; cc: Director of Information Technology Services, Toronto Police Services; City Auditor - June 1, 1999)

(Report 4 - Clause 2)

2.4 Review of Commissioner Street Transfer Station Project Expenditures

The Audit Committee had before it a report (April 24, 1999) from the City Auditor respecting Review of Commissioner Street Transfer Station Project Expenditures and recommending that:

- (1) the Chief Administrative Officer advise all department heads that the selection and engagement of all consulting services be made in accordance with the City's purchasing policies;
- (2) the Chief Administrative Officer advise all department heads of the importance of providing accurate and complete cost estimates when submitting projects to Council for approval, ensuring that necessary due diligence and care is exercised when preparing these estimates, and that if changes in the scope of work are necessary, the details and implications of the changes, as well as additional funding requirements, be clearly communicated to Council for approval;
- (3) as part of the 2000 to 2004 Capital Budget Process, the Budget Division, Finance Department advise all departments and local boards that all funds relating to a particular capital project be provided for in one capital account, so that the full funding requirements and expenditures for each project are more readily available and known; and
- (4) this report be forwarded to the Works Committee and Budget Committee for consideration.

On motion by Councillor Sgro, the Audit Committee recommended to the Works and the Policy and Finance Committees the adoption of the foregoing report.

(Letter sent to: Works Committee and Policy and Finance Committee - June 1, 1999)

2.5 Radio Communications System - Toronto Police Services and Toronto Fire Services

The Audit Committee had before it a report (May 4, 1999) from the City Auditor, and recommending that:

- (1) the Commissioner of Works and Emergency Services report to the Policies and Finance Committee every six months on the status of the Integrated Police and Fire Radio Communications System;
- (2) the first of such progress reports be submitted by June 30, 1999 and include information on any changes to the final contract price for the system, scheduled

completion date, the progress of the implementation, the meeting of prescribed milestones and payments to Motorola, any problems or delays encountered or anticipated, and whether the project will be completed on time and within the contract price; and

- (3) this report be forwarded to the Budget Committee, as well as the Policies and Finance Committee, for consideration.

On motion by Councillor Sgro, the Audit Committee recommended to the Policy and Finance Committee, the adoption of the foregoing report.

(Letter sent to: Finance and Policy Committee - June 1, 1999)

2.6 Follow-up to Review of Data Conversion, York Employees' Pension and Benefit Fund

The Audit Committee had before it a report (April 26, 1999) from the City Auditor respecting Follow-up to Review of Data Conversion, York Employees' Pension and Benefit Fund and recommending that:

- (1) for those recommendations contained in the 1998 report from the City Auditor titled, "Review of Data Conversion, York Employees Pension and Benefit Fund", which have not yet been implemented, as outlined in Attachment I, the Chief Financial Officer and Treasurer:
 - (a) submit to the Audit Committee an action plan with specific time lines and staff responsibility for implementation; and
 - (b) report to the Audit Committee on the status of the implementation process prior to December 31, 1999.

On motion by Councillor Mahood, the Audit Committee adopted the foregoing report.

(Letter sent to Chief Financial Officer and Treasurer; cc: City Auditor - June 1, 1999)

2.7 Thefts from Parking Meters

The Audit Committee had before it a report (April 29, 1999) from the City Auditor, respecting Thefts from Parking Meters and recommending that this report be received for information.

On motion by Councillor Sgro, the Audit Committee received the foregoing report for information.

2.8 2008 Olympic Bid / Review of the Bid Company's Administrative and Financial Policies

The Audit Committee had before it a report (April 21, 1999) from the City Auditor respecting 2008 Olympic Bid / Review of the Bid Company's Administrative and Financial Policies, recommending that this report be received for information and that it be forwarded to the Olympic Task Force.

The Audit Committee also had before it a communication (April 19, 1999) from the City Clerk, forwarding Clause No. 13 of Report No. 7 of The Strategic Policies and Priorities Committee, headed "City of Toronto Olympic Task Force (Possible Audit of the 1996 Olympic Games Bid), which was adopted, as amended, by the Council of the City of Toronto at its meeting held on April 13, 14 and 15, 1999.

On motion by Councillor Mahood, the Audit Committee received the foregoing reports and forwarded same to the Olympic Task Force.

(Letter sent to: Olympic Task Force; cc: City Auditor - June 1, 1999)

2.9 Update on the Audit of the Handling of Sexual Assault and Family Violence Cases by the Toronto Police Service

The Audit Committee had before it a report (April 13, 1999) from the City Auditor, respecting Update on the Audit of the Handling of Sexual Assault and Family Violence Cases by the Toronto Police Service and recommending that:

- (1) this report be received for information by the Audit Committee; and
- (2) this report be forwarded to the Audit Reference and the Toronto Police Services Board for their information.

On motion by Councillor Mahood, the Audit Committee:

- (1) deferred consideration of the foregoing report until its special meeting to be held at the call of the Chair within 5 week of May 25, 1999;
- (2) deferred consideration of the following motion by Councillor Sgro:

“That no honorarium be paid to volunteers for work done in the public interest, except in extenuating circumstances:
- (3) requested the City Clerk, in consultation with appropriate officials, to provide, at that time, an interpretation on the authority by which the City Auditor has been providing an honorarium to organizations/persons who are on the Audit Reference Group (Corporate Services Committee Report No. 15, Clause 16 of the Corporate Services Committee, titled, “Action Taken by the Committee on the Status of Women Respecting the Jane Doe Case”, which was adopted, without amendment, by City Council at its meeting on October 28, 29 and 30,1998):

(Letter sent to: City Clerk; cc: City Auditor - June 1, 1999)

2.10 Matter Dealing with Litigation or Potential Litigation, Including Matters Before Administrative Tribunals, Affecting the Municipality Or Local Board

The Audit Committee had before it a confidential report (April 27, 1999) from the City Auditor.

On motion by Councillor Sgro, the Audit Committee adjourned its public session to meet in Camera, to deal with a matter the subject of which dealt with litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board.

On resuming its public session, on motion by Councillor Sgro, the Audit Committee received the foregoing confidential report for information.

2.11 Standing Committee Requests - Project Update

The Audit Committee had before it a report (March 29, 1999) from the City Auditor, respecting Standing Committee Requests - Project Update and recommending that this report be received for information.

On motion by Councillor Mahood, the Audit Committee recommended to City Council that it advise all Committees that, in accordance with Council policy, all requests for Audits will be forwarded to the Audit Committee for consideration, so that the Audit Committee can prioritize such requests, giving regard to the Audit Workplan approved by Council.

On further motion by Councillor Mahood, the Audit Committee also, in accordance with the recommendation above:

- (1) authorized Projects 1, 7 and 8 set out in the report (March 29, 1999) from the City Auditor;
- (2) requested that the Audit Committee receive:
 - (a) a detailed breakdown of each individual Councillor's office expenses, including the Mayor's office and staff;
 - (b) a list of remuneration and expenses received by each individual Councillor for activities in their duties as a Member of a local Agency, Board or Commission;

as previously requested by the Audit Committee, at its meeting held on March 1, 1999; and;

- (3) received Projects 2-6 set out in the report (March 29, 1999) from the City Auditor.

(Letter sent to: City Auditor - June 1, 1999)

(Report 4 - Clause 4)

2.12 Consolidation of City Audit Activities - Update

The Audit Committee had before it a report (May 10, 1999) from the Chief Administrative Officer respecting Consolidation of City Audit Activities - Update and recommending that this report be received for information.

The Audit Committee:

On motion by Councillor Sgro:

- (1) received the foregoing report for information; and

On motion by Councillor Mahood:

- (2) directed that a special meeting be held within 5 weeks of May 25, 1999 to consider the 1999 Financial statements.

(Letter sent to: Chief Financial Officer and Treasurer; cc: City Auditor - June 1, 1999)

2.13 Audit Workplan Update - Public Health Report

The Audit Committee had before it a report (May 12, 1999) from the City Auditor respecting Audit Workplan Update - Public Health Report, and recommending that this report be received for information and that the report be forwarded to the Board of Health for their information.

On motion by Councillor Sgro, the Audit Committee received the foregoing report for information and forwarded same to the Board of Health for information.

(Letter sent to: Board of Health; cc: City Auditor - June 1, 1999)

2.14 Auditor's Report and Financial Statements of the Toronto Atmospheric Fund for the Year Ended December 31, 1998

The Audit Committee had before it a communication (March 30, 1999) from the Committee Secretary, Toronto Atmospheric Fund, and recommending that City Council receive the Auditor's Report (March 11, 1998) and the Financial Statements of the Toronto Atmospheric Fund for the year ended December 31, 1998.

The Audit Committee recommended to City Council that:

On motion by Councillor Sgro:

- (1) the City Auditor consider the following issues with respect to the Toronto Atmospheric Fund, and report thereon to the Audit Committee:
 - (a) the issuance of grants;
 - (b) consulting fees;
 - (c) legal costs;

and any other identified concerns, including whether the Toronto Atmospheric Fund can be considered an agency, board or commission for these purposes;

On motion by Councillor Holyday:

- (2) the City Solicitor report to the Audit Committee on the legal status of the Toronto Atmospheric Fund and its relationship to the City, particularly with respect to the Fund's \$24 million in assets and the City's obligations and abilities to make decisions respecting the fund.

(Report 4 - Clause 3)

2.15 External Firms Retained for Insurance Claim Defence

The Audit Committee had before it a communication (February 17, 1999) from the City Clerk, Corporate Services Committee, referring the following motions to the Audit Committee for report thereon to the Corporate Services Committee:

“Moved by Councillor Lindsay-Luby:

- (1) That any future reports regarding the outsourcing of legal work, determine the cost effectiveness of work undertaken inside vis-a-vis outside and particularly when specific expertise is needed; and that this cost-benefit analysis be undertaken by the City’s External Auditor.

Moved by Councillor Rae:

- (2) That the foregoing motion by Councillor Lindsay Luby be referred to the Chief Financial Officer and Treasurer for report thereon to the next meeting of the Corporate Services Committee respecting the cost of the City employing an External Auditor”.

On motion by Councillor Sgro, the Audit Committee recommended to the Policy and Finance Committee that Ernst and Young provide a cost evaluation of the report requested by Councillor Lindsay-Luby to the Policy and Finance Committee.

(Letter sent to: Policy and Finance Committee - June 1, 1999)

2.16 1999-2000 Schedule of Meetings

The Audit Committee had before it a report (April 22, 1999) from the City Clerk, requesting major agencies, boards and commissions, Council-appointed task forces, special committees and sub-committees, wherever possible, to avoid scheduling meetings which conflict with City Council meetings and the Standing Committees to which they report.

On motion by Councillor Sgro, the Audit Committee received the foregoing report.

2.17 1999 Audit Workplan

The Audit Committee had before it a report (March 10, 1999) from the City Clerk, forwarding Clause 1 of Report No. 2 of The Audit Committee, headed "1999 Audit Workplan", which was adopted, as amended by the Council of the City of Toronto at its meeting held on March 2, 3, and 4, 1999.

On motion by Councillor Sgro, the Audit Committee received the foregoing report.

2.18 Works Best Practices Program and Projected Staffing Levels - Water and Wastewater Services Division

The Audit Committee had before it a report (March 10, 1999) from the City Clerk, forwarding Clause No. 1 of Report No. 2 of The Works and Utilities Committee, headed "Works Best Practices Program and Projected Staffing Levels - Water and Wastewater Services Division, which was adopted, as amended, by the Council of the City of Toronto at its meeting held on March 2, 3 and 4, 1999.

On motion by Councillor Holyday, the Audit Committee received the foregoing report.

The meeting adjourned at 12:50 p.m.

Chair.

Attendance:

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May 25, 1999	10:00 a.m. - 12:45 p.m.	In Camera 12:45 p.m. - 12:50 p.m.
Lindsay-Luby (Acting Chair)	x	x
Adams	x	
Mahood	x	x
Holyday	x	x
Sgro	x	x

* Members were present for some or all of the time indicated.