

**THE CITY OF TORONTO**

**Clerk's Department**

**Minutes of the Audit Committee**

**Meeting No. 5**

**Friday, September 21, 2001**

The Audit Committee met on Friday, September 21, 2001 in Committee Room 1, 2nd Floor, City Hall, commencing at 9:30 a.m.

On motion by Councillor Holyday, the Minutes of the Meeting held on April 11, 2001 were confirmed.

No interests were declared pursuant to the Municipal Conflict of Interest Act.

**5.1 2000 City of Toronto Consolidated Financial Statements**

The Audit Committee had before it the following reports:

- (September 10, 2001) from the Acting Chief Administrative Officer and Acting Chief Financial Officer and Acting Treasurer and Director, Accounting Services, forwarding the 2000 City of Toronto Consolidated Financial Statements, and recommending that the attached Consolidated Financial Statements be approved.
- (August 21, 2000) from Ernst & Young, Chartered Accountants, entitled, "City of Toronto – Report to the Audit Committee – 2000 Audit Results" forwarding 2000 Audit Results of the Financial Statements of the Corporation of the City of Toronto.

Ms Martha Tory and Ms. Diane Brouwer, Ernst and Young appeared before the Committee in connection with the foregoing matter.

On motion by Councillor Balkissoon, with Councillor Holyday in the Chair, the Audit Committee:

- (1) deferred consideration of the following reports to a special meeting of the Audit Committee, to be held at the call of the Chair;
- (2) requested the Acting Chief Financial Officer, at the special meeting of the Audit Committee:
  - (a) to report a detailed workplan in response to the Management Letter issued to the Finance Department by Ernst and Young, and in response to the issues raised in the report (August 21, 2001) from Ernst and Young,

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entitled, "City of Toronto – Report to the Audit Committee – 2000 Audit Results";

- (b) to submit a detailed breakdown of the Annual Operating Leases and all future commitments;
  - (c) to submit a report to accompany the Financial Statements containing relevant financial ratios and analysis, and a comparison to other municipalities and industry, where relevant;
- (3) requested the Acting Chief Financial Officer and the City Auditor to consult and determine an appropriate reporting mechanism for Reserve Fund Balances and Transfers;
- (4) requested the City Auditor to expedite his audit of taxes receivable;
- (5) adopted the following motion by Councillor Balkissoon:

Whereas the City of Toronto's unfunded liability, including the Agencies, Boards and Commissions, at December 31, 2000, for vested sick leave benefits is in the range of \$250 million; and

Whereas this liability continues to increase, having been \$240 million at December 31, 1999; and

Whereas certain other amalgamating municipalities and many other Ontario municipalities do not participate in such a plan;

Now therefore be it resolved that the City Auditor, in consultation with the Acting Chief Administrative Officer and the Commissioner of Corporate Services, be requested to review what other municipalities have done to control or achieve long term reduction and eventual elimination for this liability and report at the first meeting of the Audit Committee in 2002 on various options that can be considered by committees and Council, which are applicable to the City and the affected Agencies, Boards and Commissions; and

- (6) forwarded the 2000 City of Toronto Consolidated Financial Statements and the report (August 21, 2000) from Ernst & Young, Chartered Accountants, entitled, "City of Toronto – Report to the Audit Committee – 2000 Audit Results" to the Budget Advisory Committee for information:

(Letter sent to: Budget Advisory Committee; c. City Auditor; Acting Chief Administrative Officer and Acting Chief Financial Officer; Acting Treasurer and

Director, Accounting Services; Commissioner of Corporate Services – September 21, 2001)

## **5.2 Non-Consolidated Statement of Financial Position**

The Audit Committee had before it a report (September 10, 2001) from the Acting Chief Administrative Officer and Acting Chief Financial Officer respecting Non-Consolidated Statement of Financial Position, and recommending that the attached Non-Consolidated Statement of Financial Position be received for information.

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

(Letter sent to: Acting Chief Administrative Officer and Acting Chief Financial Officer – September 21, 2001)

## **5.3 Investment Policy Compliance**

The Audit Committee had before it a report (June 22, 2001) from the City Auditor respecting Investment Policy Compliance, and recommending that:

- (1) the City Solicitor report back on whether or not the City's Investment Policy and Procedures apply to Agencies, Boards and Commissions of the City;
- (2) Schedule 3.1 of the City's Investment Policy and Procedures be formally reconfirmed in accordance with section 3 of the Policy;
- (3) the Chief Financial Officer and Treasurer complete section 5 of the Investment Policy and Procedures as soon as possible;
- (4) during design and implementation of the new investment management system, consideration be given to correcting deficiencies identified in the existing system;
- (5) all Funds managed directly by the City be included in the investment management system;
- (6) the Chief Financial Officer and Treasurer ensure that the Annual Investment Report and quarterly reporting of compliance with the City's Investment Policy and Procedures include all instances of non-compliance. In addition, investment reports submitted to Council should use the same policy limits as the Investment Policy and Procedures document;

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- (7) reconciliations of all balances in the investment subsidiary ledger to the general ledger be performed monthly on a timely basis. The reconciliations should be reviewed and approved by appropriate senior Finance Department staff;
- (8) the Toronto Trust investments be recorded on the City's general ledger; and
- (9) the Chief Financial Officer and Treasurer select an investment performance benchmark for the City Trust Funds.

The Audit Committee also had before it a report (August 31, 2001) from the Acting Chief Financial Officer, forwarding the Finance Department's Response to City Auditor's Report: "Investment Policy Compliance" for the Year 2000, and recommending that this report be considered with the City Auditor's report and received as information.

On motion by Councillor Balkissoon, with Councillor Holyday in the Chair, the Audit Committee recommended that:

- (1) the City Solicitor report back to the Audit Committee, at its meeting to be held on November 29, 2001, on whether or not the City's Investment Policy and Procedures apply to Agencies, Boards and Commissions of the City;
- (2) Schedule 3.1 of the City's Investment Policy and Procedures be formally reconfirmed in accordance with section 3 of the Policy;
- (3) the Chief Financial Officer and Treasurer complete section 5 of the Investment Policy and Procedures by the first meeting of the Audit Committee of 2002 and report accordingly at that time;
- (4) during design and implementation of the new investment management system, the deficiencies identified in the current system be addressed and the Audit Committee be provided with an update report by the first meeting of the Committee to be held in 2002;
- (5) all Funds managed directly by the City be included in the investment management system;
- (6) the Chief Financial Officer and Treasurer ensure that the Annual Investment Report and quarterly reporting of compliance with the City's Investment Policy and Procedures include all instances of non-compliance. In addition, investment reports submitted to Council should use the same policy limits as the Investment Policy and Procedures document;
- (7) reconciliations of all balances in the investment subsidiary ledger to the general ledger be performed monthly on a timely basis. The reconciliations shall be

reviewed and approved by appropriate senior Finance Department staff. The requirement to conduct such reconciliations be included in the Investment Policy and Procedures Manual;

- (8) the City Auditor and Acting Chief Administrative Officer report to the Audit Committee and the Policy and Finance Committee on a policy and procedure whereby reconciliation of all balances are verified and reported to the appropriate committee on a regular basis;
- (9) in the interim, the City Auditor review the various reconciliations and report to the Audit Committee on a quarterly basis;
- (10) the Toronto Trust investments be recorded on the City's general ledger; and
- (11) the Chief Financial Officer and Treasurer select an investment performance benchmark for the City Trust Funds.

**(Report 8, Clause 1)**

**5.4 Status Report On Various Audit Projects**

The Audit Committee had before it a report (September 12, 2001) from the City Auditor respecting Various Audit Projects, and recommending that this report be received for information.

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

**5.5 Ethics By-Law: Fiduciary Responsibility of Staff, Submitted by Councillor Jane Pitfield**

The Audit Committee had before it a reporty (August 20, 2001) from the City Auditor respecting Ethics By-Law: Fiduciary Responsibility of Staff, submitted by Councillor Jane Pitfield, and recommending that this report be received for information.

On motion by Councillor Balkissoon, with Councillor Holyday in the Chair, the Audit Committee received the foregoing report for information.

(Letter sent to City Auditor; c. Councillor Pitfield – September 21, 2001)

**5.6 2000 Audited Financial Statements of Agencies, Boards and Commissions**

The Audit Committee had before it a report (September 12, 2001) from the Acting Chief Administrative Officer and Acting Chief Financial Officer and Acting Treasurer and Director of Accounting Services respecting 2000 Audited Financial Statements of Agencies, Boards and Commissions, and recommending that these financial statements be received.

On motion by Councillor Holyday, the Audit Committee recommended that the 2000 Audited Financial Statements of Agencies, Boards and Commissions appended to the report (September 12, 2001) from the Acting Chief Administrative Officer and Acting Chief Financial Officer and Acting Treasurer and Director of Accounting Services be received.

**(Report 8, Clause 2)**

**5.7 Scheduling Process Review – Toronto Emergency Medical Services**

The Audit Committee had before it a report (August 23, 2001) from the Commissioner Works and Emergency Services respecting Scheduling Process Review – Toronto Emergency Medical Services, providing an update to the response to the recommendations and findings arising out of the audit of the Scheduling Unit of Toronto Emergency Medical Services, and recommending that this report be forwarded to the Community Services Committee for information.

On motion by Councillor Bussin, the Audit Committee received the foregoing report and forwarded same to the Community Services Committee for information.

(Letter sent to: Community Services Committee; c. Commissioner of Works and Emergency Services – September 21, 2001)

**5.8. 2001 Audit Work Plan – Toronto Police Service**

The Audit Committee had before it a report (June 26, 2001) from the Chairman, Toronto Police Services Board respecting 2001 Audit Workplan –Toronto Police Service, and recommending that the Audit Committee receive this report.

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

(Letter sent to: Chair, Toronto Police Services Board – September 21, 2001)

**5.9 Draft Audit Report and Financial Statements for the Year Ended December 31, 2000 – Toronto Zoo**

The Audit Committee had before it a communication (June 19, 2001) from the Secretary, Toronto Zoo, Forwarding Draft Audit Report and 2000 Financial Statements.

On motion by Councillor Minnan-Wong, the Audit Committee recommended that the financial statements of the Board of Management of the Toronto Zoo for the year ended December 31, 2000 be approved.

**(Report 8, Clause 4)**

**5.10 Toronto Atmospheric Fund – Summary of 1999 and 2000 Grants and Consulting Expenditures**

The Audit Committee had before it a report (September 12, 2001) from the Executive Director, Toronto Atmospheric Fund respecting Toronto Atmospheric Fund – Summary of 1999 and 2000 Grants and Consulting Expenditures and recommending that this report be received for information and forwarded to the Policy and Finance Committee.

On motion by Councillor Holyday, the Audit Committee received the foregoing report for information and forwarded same to the Policy and Finance Committee.

(Letter sent to: Policy and Finance Committee; c. Executive Director, Toronto Atmospheric Fund – September 21, 2001)

**5.11 2008 Toronto Olympic Bid**

The Audit Committee had before it a communication (August 13, 2001) from Councillor Walker respecting 2008 Toronto Olympic Bid and requesting the City Auditor to provide a complete audit of all spending (out of pocket, as well as staff resources and overheads) by all Departments, Agencies, Boards and Commissions relating to Toronto's 2008 Olympic Bid.

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

(Letter sent to: Councillor Walker – September 21, 2001)

**5.12 Petition Respecting 39 McGlashan Road**

The Audit Committee had before it a communication (September 4, 2001) from the City Clerk, advising that City Council, at its meeting of June 26, 27 and 28, 2001 referred the attached petition respecting 39 McGlashan Road to the Audit Committee.

On motion by Councillor Minnan-Wong, the Audit Committee received the foregoing communication.

**5.13 In Camera Matters**

On motion by Councillor Holyday, the Audit Committee adjourned its public session, in accordance with the Municipal Act, to meet in Camera to discuss various matters, having regard that such discussions dealt with:

- (a) the security of the property of the municipality or local board; and
- (b) personal matters about an identifiable individual, including municipal or local board employees.

The matters remained in Camera.

The Committee adjourned at 11:40 a.m.

**Attendance:**

September 19, 2001	9:30 – 11:20 a.m. 11:35 – 11:40 a.m.	11:20 p.m. – 11:35 p.m. (In Camera)
Balkissoon (Chair)	X	x
Holyday (Vice-Chair)	X	X
Altobello	-	-
Bussin	x	X
Milczyn	-	-
Minnan-Wong	x	X

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

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Chair