

THE CITY OF TORONTO

Clerk's Department

Minutes of the Audit Committee

Meeting No. 1

Friday, February 8, 2002

The Audit Committee met on Friday, February 8, 2002 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 November 29, 2001 and December 14, 2001 were confirmed.

1.1 Investment Policy Compliance by Agencies, Boards and Commissions

The Audit Committee had before it a report (January 10, 2002) from the City Auditor, respecting Investment Policy Compliance by Agencies, Boards and Commissions, and recommending that the Chief Financial Officer and Treasurer report to the June 13, 2002 meeting of Audit Committee recommending changes, if any, to the investment policies of Agencies, Boards and Commissions.

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

- (1) the report (January 10, 2002) from the City Auditor be adopted; and
- (2) the investment policies of the City be followed by those agencies over which the City has authority.

(Report 3, Clause 1)

1.2 Fraud Hotline – City of Toronto

The Audit Committee had before it a report (January 22, 2002) from the City Auditor respecting Fraud Hotline – City of Toronto, and recommending that:

- (1) the City Auditor establish and operate a fraud/audit hotline on a six-month pilot project basis;
- (2) the City Auditor report to the Audit Committee, at the end of the pilot project, on the feasibility of establishing a permanent fraud/audit hotline in the City of Toronto; and

- (3) the City Auditor be given the authority to continue to operate the hotline after the six-month period, as appropriate, until a report on the permanent establishment is considered by Council.

The Audit Committee recommended that:

On motion by Councillor Milczyn:

- (1) the report (January 22, 2002) from the City Auditor be adopted; and

On motion by Councillor Balkisson, with Councillor Holyday in the Chair:

- (2) all staff be advised that staff and City contractors are not restricted to the fraud/audit hotline, but are also entitled to speak to a Member of Council.

(Report 3, Clause 2)

1.3 Terms of Reference

The Audit Committee had before it a report (January 24, 2002) from the City Auditor respecting Terms of Reference and recommending that this report be received for information.

Councillor Balkisson declared an interest in this matter in that his wife is an employee of the Toronto Public Library Board.

On motion by Councillor Bussin, the Audit Committee:

- (1) received the report (January 24, 2002) from the City Auditor for information; and
- (2) requested that the future report on the Toronto Public Library Board project be submitted to the Audit Committee and then to the Budget Advisory Committee.

(Letter sent to: City Auditor – February 11, 2002)

(Report No. 3, Clause 4(a))

1.4 Transfer of Parking Operations from the Former Municipalities to the Toronto Parking Authority

The Audit Committee had before it a report (November 12, 2001) from the City Auditor respecting Transfer of Parking Operations from the Former Municipalities to the Toronto Parking Authority and recommending that this report be received for information.

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

(Letter sent to: City Auditor; President, Toronto Parking Authority – February 11, 2002)

(Report No. 3, Clause 4(b))

1.5 Audit Management Letters Relating to Individual Committees of Management for Arenas

The Audit Committee had before it a report (January 28, 2002) from the City Auditor respecting Audit Management Letters Relating to Individual Committees of Management for Arenas, and recommending that:

- (1) the individual management letters issued for each of the Committees of Management for arenas be received for information; and
- (2) the Commissioner of Economic Development, Culture and Tourism be directed to ensure that the issues identified in the individual management letters are addressed and report back to the Audit Committee by April 30, 2002.

On motion by Councillor Holyday, the Audit Committee deferred consideration of the foregoing report until its meeting to be held on April 11, 2002.

(Letter sent to: Executive Director, Forest Hill Memorial Arena; Executive Director, Moss Park Arena; Executive Director, Ted Reeve Community Arena; c: City Auditor; Commissioner of Economic Development, Culture and Tourism – February 11, 2002)

(Report No. 3, Clause 4(c))

1.6 Audit Management Letters Relating to Individual Business Improvement Areas

The Audit Committee had before it a report (January 28, 2002) from the City Auditor respecting Audit Management Letters Relating to Individual Business Improvement Areas, and recommending that:

- (1) the individual management letters issued for each of the Business Improvement Areas be received for information; and

- (2) the Commissioner of Economic Development, Culture and Tourism be directed to ensure that the issues identified in the individual management letters are addressed and report back to the Audit Committee by April 30, 2002.

On motion by Councillor Holyday, the Audit Committee deferred consideration of the foregoing report until its meeting to be held on April 11, 2002.

(Letter sent to: Chair, Board of Management, Gerrard India Bazaar BIA; Chair, Board of Management, Greektown on the Danforth BIA; Chair, Board of Management, Junction Gardens BIA; Chair, Board of Management, Little Italy BIA; c: City Auditor; Commissioner of Economic Development, Culture and Tourism – February 11, 2002)

(Report No. 3, Clause 4(d))

1.7 Update on Workplan to Address Issues Raised in Management Letter

The Audit Committee had before it a report (January 25, 2002) from the Chief Financial Officer and Treasurer respecting Update on Workplan to Address Issues Raised in Management Letter, and recommending that:

- (1) this report on the update on the progress on the workplan be received for information; and
- (2) the Chief Financial Officer and Treasurer report to the Audit Committee on the status of the workplan on a quarterly basis.

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

- (1) referred the report (January 25, 2002) from the Chief Financial Officer and Treasurer to the City Auditor for his review and comments; and
- (2) requested the City Auditor to report to the Audit Committee on the reconciliation of the Suspense Account balance of \$86,337,654.72 identified in the December, 1998 internal financial statements, such review to include the origins of this account as well as the clearing of the account, using whatever internal or external resources necessary to investigate this matter fully.

(Letter sent to: City Auditor; Chief Financial Officer and Treasurer – February 11, 2002)

(Report No. 3, Clause 4(e))

1.8 Review of Computer Leasing Contract with MFP Financial Services Public Inquiry Under Section 100 of the Municipal Act

The Audit Committee had before it a report (January 30, 2002) from the City Solicitor respecting Review of Computer Leasing Contract with MFP Financial Services Public Inquiry Under Section 100 of the Municipal Act, and recommending that this report be received for information.

The Audit Committee also had before it the following reports/communication:

- report (January 28, 2002) from the City Auditor respecting Leasing Contract Between City of Toronto and MFP Financial Services – Councillors Computer Equipment, and recommending that the Chief Financial Officer and Treasurer, in consultation with the Commissioner of Corporate Services ensure that the Corporate financial manual currently being developed by the Finance Department include the following requirements:
 - (a) for all lease transactions a comprehensive financial analysis be prepared justifying the decision to lease;
 - (b) for all expiring lease agreements, a detailed financial analysis be prepared justifying the decision to either retain such equipment, extend the lease, or exercise any purchase option;
 - (c) for any lease agreements which may be renegotiated during its term, a detailed analysis be conducted outlining the financial implications of the renegotiation; and
 - (d) all such financial analyses be subject to appropriate supervisory review;
- confidential report (February 5, 2002) from the City Auditor respecting Review of Computer Leasing Contracts between City of Toronto and MFP Financial Services – Update, having regard that the subject matter is subject to litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board;
- communication (January 29, 2002) from the Commissioner of Council Services and City Clerk, City of Windsor, responding to the City Clerk’s communication of December 13, 2001 respecting Audit Report No. 10, Clause 11 titled, “Review of Computer Leasing Contract Between City of Toronto and MFP Financial Services; and

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- joint confidential report (February 7, 2002) Chief Administrative Officer and City Auditor respecting MFP Contract Review Costs having regard that the subject matter is subject to litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board.

The Audit Committee:

On motion by Councillor Bussin:

- (1) adjourned its public session, in accordance with the Municipal Act, to meet in Camera to consider the confidential reports (February 5, 2002) from the City Auditor and (February 7, 2002) from the Chief Administrative Officer and City Auditor having regard that the subject matter is subject to litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board.

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

- (2) recommended to City Council that:
 - (a) the City Auditor, in consultation with the Chief Administrative Officer and external counsel, develop recommended Terms of Reference for a public inquiry in respect of the MFP contracts and related matters;
 - (b) the external counsel provide to City Council, at its meeting to be held commencing February 13, 2002 a draft resolution for its consideration which would allow for commencement of an inquiry under Section 100 of the Municipal Act;
- (3) instructed the City Auditor to immediately advise all Members of Council of Recommendation No. (1) above and that any submissions made to the City Auditor, the Chief Administrative Officer and external counsel by any Member of Council with respect to the Terms of Reference must be in writing;

On motion by Councillor Bussin:

- (4) submitted under separate cover the confidential reports (February 5, 2002) from the City Auditor and (February 7, 2002) from the Chief Administrative Officer and City Auditor to City Council for consideration, with the request that the report (February 5, 2002) from the City Auditor respecting MFP Financial Services - Update be made public;

On motion by Councillor Holyday:

- (5) recommended to City Council the adoption of the report (January 28, 2002) from the City Auditor respecting Leasing Contract between City of Toronto and MFP Financial Services – Councillors Computer Equipment; and
- (6) received the communication (January 29, 2002) from the Commissioner of Council Services and City Clerk, City of Windsor, responding to the City Clerk's communication of December 13, 2001 respecting Audit Report No. 10, Clause 11 titled, "Review of Computer Leasing Contract Between City of Toronto and MFP Financial Services.

Action No. (2) carried unanimously as follows:

Yeas: Councillors Balkissoon, Bussin, Holyday, Milcyn and Minnan-Wong – 5

The request to the City Auditor (Action No. (3)) carried on the following division of votes:

Yeas: Councillors Balkissoon, Bussin, Holyday, Milcyn – 4

Nays: Councillor Minnan-Wong - 1

(Report No. 3, Clause 4(k))

1.9 Update on the Communication of the Fraud Policy to City Employees

The Audit Committee had before it a report (January 17, 2002) from the Chief Administrative Officer respecting Update on the Communication of the Fraud Policy to City Employees, 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 report (January 17, 2002) from the Chief Administrative Officer for information and requested the Chief Administrative Officer to submit a further report on the adoption of a policy relating to the regular review and reporting of the policy to staff.

(Letter sent to: Chief Administrative Officer – February 11, 2002)

(Report No. 3, Clause 4(f))

1.10 Harmonization of Business Improvement Area Practices and Procedures (All Wards)

The Audit Committee had before it a report (December 13, 2001) from the City Clerk respecting Harmonization of Business Improvement Area Practices and Procedures, and forwarding to the Audit Committee Clause No. 21 contained in Report No. 16 of The Policy and Finance Committee, headed “Harmonization of Business Improvement Area Practices and Procedures (All Wards)”, which was adopted, as amended, by City Council at its meeting held on December 4, 5 and 6, 2001.

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

(Report No. 3, Clause 4(g))

1.11 September 2001 Operating Variance Report

The Audit Committee had before it a communication (December 10, 2001) from the City Clerk respecting September 2001 Operating Variance Report and forwarding Clause No. 24 contained in Report No. 16 of The Policy and Finance Committee, headed “September 2001 Operating Variance Report”, which was adopted, without amendment, by the Council of the City of Toronto at its meeting held on December 4, 5 and 6, 2001.

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

- (1) received the communication (December 10, 2001) from the City Clerk respecting September 2001 Operating Variance Report and forwarding Clause No. 24 contained in Report No. 16 of The Policy and Finance Committee, headed “September 2001 Operating Variance Report”;
- (2) advised the Chief Administrative Officer that the Committee is satisfied with the format and content that there is no further need for this report to be submitted to the Audit Committee; and
- (3) requested the Chief Administrative Officer, in monitoring and analyzing the variance report, to submit recommendations to the appropriate Committee, setting out follow-up actions required to be taken on a timely basis.

(Letter sent to: Chief Administrative Officer – February 11, 2002)

(Report No. 3, Clause 4(h))

1.12 Management Letters for 2000 – Agencies, Boards and Commissions

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The Audit Committee had before it a report (January 11, 2002) from the City Librarian respecting Management Letters for 2000 – Agencies, Boards and Commissions, and recommending that the attached Management Letters and accompanying Management Response for the Toronto Public Library in 2000 be received for information.

The Audit Committee also had before it the following communications:

- (December 11, 2001) from the Chief General Manager, Toronto Transit Commission, forwarding the Toronto Transit Commission's 2000 Annual Report (which includes the audited Financial statements) and report dealing with the 2002 Management Letter;
- (December 7, 2001) from the Chief Financial Officer, Enwave District Energy Limited, advising that, although Enwave District Energy Limited is not an agency, board or commission of the City of Toronto, the external auditors Enwave District Energy Limited did not issue a management letter following the completion of the audit of the financial statements for the period ended October 31, 2000; and
- (December 19, 2001) from the Chief Executive Officer, Toronto Housing Company Inc., recommending that Audit Committee and Council receive the attached Management Letters of the Toronto Housing Company for information.

Councillor Balkissoon declared an interest in this matter as it relates to the Management Letters and accompanying Management Response for the Toronto Public Library in 2000 in that his wife is an employee of the Toronto Public Library Board.

On motion by Councillor Holyday, the Audit Committee:

- (1) referred the foregoing communications to the City Auditor; and
- (2) requested the City Clerk to:
 - (a) conduct a follow-up of those Agencies, Boards and Commissions who have not submitted management letters; and
 - (b) advise all Agencies, Boards and Commissions that all management letters will be forwarded to the City Auditor before being placed on the Audit Committee Agenda.

(Letter sent to: City Auditor; City Clerk, Attention: Manager, Council Secretariat Support; c: City Librarian; Chief General Manager, Toronto Transit Commission; Chief Financial Officer, Enwave District Energy Limited; Chief Executive Officer, Toronto Housing Company Inc. – February 11, 2002)

(Report No. 3, Clause 4(i))

1.13 Internal Financing of Firefighter Protective Clothing (Bunker Suits) and Canadian Content and Lease Versus Purchase of Bunker Suits

The Audit Committee had before it a communication (February 1, 2002) from the City Clerk, Policy and Finance Committee, forwarding the reports (December 18, 2001) from the Acting Chief Financial Officer, titled “Canadian Content and Lease Versus Purchase of Bunker Suits” and (January 15, 2002) from the Acting Chief Financial Officer, entitled “Internal Financing of Firefighter Protective Clothing (Bunker Suits)” for review.

The Audit Committee also had before it a communication (January 31, 2002) from Councillor Moscoe.

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

- (1) undertake a detailed review of the report (December 18, 2001) from the Acting Chief Financial Officer, titled “Canadian Content and Lease Versus Purchase of Bunker Suits” and report on the veracity of the figures provided by the manufacturer as to Canadian content; and
- (2) review and report on the City’s procedure for ascertaining Canadian content, in order to ensure future credibility.

(Report No. 3, Clause 4(j))

1.14 Interim Report on Oracle Database Software Acquisition

The Audit Committee had before it a joint report (February 6, 2002) from the Chief Administrative Officer and the City Auditor, respecting the Interim Report on Oracle Database Software Acquisition, and recommending that:

- (1) the City Auditor further investigate this contract including interviews with key participants as required;
- (2) the Corporate Services Information and Technology Division immediately assume responsibility for the management of all city-owned Oracle licences;

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- (3) the Executive Director of Information and Technology and appropriate City Staff be directed to explore all possible options to reduce the City's financial obligations; and
- (4) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

The Audit Committee recommended that:

On motion by Councillor Holyday:

- (1) the joint report (February 6, 2002) from the Chief Administrative Officer and the City Auditor be adopted; and

On motion by Councillor Balkissoon, with Councillor Holyday in the Chair,

- (2) the Executive Director of Information Technology:
 - (a) review whether licences should be paid by individual departments; and
 - (b) consider the use of "microsoft sequel server".

(Report 3, Clause 3)

The Committee adjourned at 3:55 p.m.

Chair

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Attendance:

February 8, 2002	9:30 a.m. – 10:50 a.m.	10:50 a.m. - 12:05 p.m. (In Camera)	12:05 p.m. – 12:30 p.m.	2:00 p.m. – 3:55 p.m.
Balkissoon (Chair)	X	X	X	X
Holyday (Vice-Chair)	X	X	X	X
Altobello	X	X	X	X
Bussin	X	X	X	X
Milczyn	X	X	X	X
Minnan-Wong	X	X	X	X

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

Note: Councillors Ashton, Hall, Johnston, Kelly, Lindsay-Luby, Miller, Moscoe, Pitfield, and Walker were also present during some or all portions of the meeting.