

AUDIT COMMITTEE**AGENDA****MEETING No. 4**

Date of Meeting: September 16, 2003
Time: 9:30 a.m.
Location: Committee Room 1
City Hall
100 Queen Street West

Enquiry: Frances Pritchard
Administrator
392-7033
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Declarations of Interest Pursuant to the Municipal Conflict of Interest Act

Confirmation of Minutes of Meetings of June 13 and July 16, 2003

REPORTS/COMMUNICATIONS:

1. Annual Report on the Status of Fraud and Related Matters, Including the Operation of the Fraud & Waste Hotline Program

Report (September 3, 2003) from the Auditor General, recommending that this report be received for information.

2. Request for Proposal 9155-03-7347 – External Audit Services – Results

Report (August 27, 2003) from the Auditor General, recommending that:

- (1) the firm of Grant Thornton LLP, the proponent with the highest overall evaluated score and the lowest cost, be retained for the provision of external audit services for Community Centres, Arenas and various other entities as listed in Appendix A, for the years 2003 to 2007 inclusive at a total cost of \$359,900 including expenses and applicable taxes, subject to the execution of an agreement satisfactory to the appropriate City officials; and

- (2) the appropriate City officials be authorized to take the necessary action to give effect thereto.

(Note: Discussions pertaining to Confidential Appendix B of the report will be held in camera, as the subject matter of the Appendix deals with the security of the property of the municipality or local board)

3. Contract Compliance Review – Safety Footwear

Report (September 4, 2003) from the Auditor General, recommending that:

- (1) the Commissioner of Corporate Services delegate a central staff resource in order to ensure that the contract with the supplier for safety footwear is appropriately managed. Staff assigned should ensure that:
 - footwear is being supplied under the terms of the contract;
 - prices being charged for footwear are in accordance with the contract;
 - proper supervisory authorization procedures are in place in regards to the supply of footwear to employees;
 - invoices submitted by suppliers contain the information necessary to enable the accurate approval for payment;
 - all specific provisions of the contract are being met; and
 - approval/requisition forms clearly indicate the type of footwear available under the contract; and
- (2) the Commissioner of Corporate Services advise suppliers in writing that footwear provided to employees at costs in excess of the contract amount will not be reimbursed. Such excess costs are the responsibility of each employee and all such employees be so advised;
- (3) the Commissioner of Corporate Services be required to review, on a random basis, specific invoices for safety footwear and compare such invoices to relevant authorization forms in order to determine that amounts charged to the City are appropriate. The result of the review will determine whether further analysis is required and, where appropriate, overpayments be recovered from the supplier;
- (4) the Commissioner of Corporate Services, in consultation with the Chief Financial Officer and Treasurer, advise all Departments that purchases for supplies such as

safety footwear be conducted on an as needed basis and in accordance with City supplier contracts. Significant purchases not be made for the purpose of utilizing unexpended budgets nor be made for the purpose of storing non-critical supplies in inventory;

- (5) the Chief Administrative Officer review the recommendations contained in this report and take the necessary action to ensure that all City wide contracts are similarly, appropriately and effectively managed; and
- (6) the Commissioner of Corporate Services report back to the first audit committee meeting in 2004 on the action taken to address the above recommendations.

4. Protocol Relating to Financial Statements and Management Letters for Agencies, Boards and Commissions

Report (September 3, 2003) from the Auditor General, recommending that:

- (1) Senior Management of all of the City's Agencies, Boards and Commissions be directed to advise the Auditor General of all planning and closing audit meetings held with the City's external auditors. The Auditor General, or his designate, attend all such meetings where appropriate;
- (2) the external auditors of the City be required to advise the Auditor General of any significant issues identified during the course of the audit, and the Auditor General, or his designate, be invited to attend all meeting where these issues are discussed;
- (3) Senior Management of all of the City's Agencies, Boards and Commissions advise the Auditor General, or his designate, of the date and location of all meetings of the governing bodies where financial statements and management letters are being reviewed, approved or discussed;
- (4) the governing body of each entity, subsequent to approval and review, be required to submit to the Audit Committee, for information purposes, copies of audited financial statements and management letters. Management responses should be appended to each management letter; and
- (5) a copy of this report be forwarded to all Agencies, Boards and Commissions, and the City's external auditors.

5. Investment Policy Compliance

Report (August 25, 2002) from the Auditor General, recommending that:

- (1) the Chief Financial Officer and Treasurer establish a reporting process to ensure that Agencies, Boards and Commissions over which the City has authority comply with the City's Investment Policy and Procedures, as previously recommended by the Auditor General, and that this process be implemented by December 31, 2003;
- (2) the Chief Financial Officer and Treasurer review the feasibility and advisability of the City's Finance Department managing the investments of the Toronto Parking Authority and the Toronto Library Board, as previously recommended by the Chief Financial Officer and Treasurer, and report to Audit Committee by April 30, 2004; and
- (3) the Chief Financial Officer and Treasurer submit a revised Investment Policy and Procedures document to City Council for approval by April 30, 2004.

6. Water and Wastewater Reserves and Reserve Funds Review

Report (September 4, 2003) from the Auditor General, recommending that:

- (1) the Chief Financial Officer and Treasurer:
 - (a) report to Audit Committee by December 31, 2003, on closing those Water and Wastewater reserves and reserve fund accounts where amounts have been depleted and future funding is not anticipated; and
 - (b) clearly define the purpose and usage of the Water and Wastewater reserve funds;
- (2) the Chief Financial Officer and Treasurer record the budgeted contributions to reserve funds from the Operating Fund and fund Capital Expenditures from the reserve funds on a quarterly basis with an adjustment to the reserve funds at year-end for the annual operating surplus or deficit; and
- (3) this report be forwarded to the Policy and Finance Committee for information.

7. TradeLink Toronto, Economic Development, Culture and Tourism

Report (September 3, 2003) from the Auditor General, recommending that:

- (1) the Commissioner of Economic Development, Culture and Tourism determine and report to the Economic Development and Parks Committee by March 2004 on:
 - the existing needs and potential opportunities in the City respecting trade show and export development, or other related economic activities;
 - whether these needs and opportunities can be effectively and efficiently met by TradeLink Toronto, or by the existing structure within Economic Development Division without TradeLink Toronto;
 - the rationale of continuing the partnership with Centennial College respecting the export training programs; and
 - the optimal/alternative uses of TradeLink Toronto's facilities at the National Trade Centre; and
- (2) this report be forwarded to Economic Development and Parks Committee for consideration.

8. Outstanding Receivables – Impact on the Tax Levy

Report (August 19, 2003) from the Auditor General, recommending that the report be received for information.

9. Implementation of City Auditor's Recommendations - Consolidated Grants Budget Grant Programs

Joint Report (September 3, 2003) from Commissioner of Community and Neighbourhood Services and the Commissioner of Economic Development, Culture and Tourism, recommending that:

- (1) this report be referred to the Grants Sub Committee and all Standing Committees for their information; and
- (2) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

10. Inventory of City Facilities Managed or Operated by Outside Groups

Joint Report (August 15, 2003) from Chief Administrative Officer and the Commissioner of Corporate Services, recommending that the report be received.

11. Boards of Management for Community Centres

Report (September 4, 2003) from the Commissioner of Community and Neighbourhood Services, recommending that this report be received for information.

12. Status of the Implementation of the City Auditor's 2000 Report on Toronto Police Service Overtime and Premium Pay

Communication (August 11, 2003) from Acting Chair, Toronto Police Services Board, recommending that the report be received.

13. Ernst & Young Audit Results -Year Ended December 31, 2002 – Toronto Public Library Board and Trust Funds of the Toronto Public Library Board

Report (July 2, 2003) from the City Librarian, recommending that the Audit Results and Management Responses for the Year Ended December 31, 2002 for the Toronto Public Library Board and for the Trust Funds of the Toronto Public Library Board be received for information.

14. Recommendations of Audit Committee - Arena Boards

Communication (July 18, 2003) from the City Clerk, ABC Ad Hoc Committee, addressed to the Policy and Finance and Audit Committees, advising of the ABC Ad Hoc Committee's action of July 18, 2003, and forwarding the report (June 10, 2003) from the Chief Administrative Officer to the Audit Committee for information

15. Response to City Auditor's November 2002 Follow Up Report - Food Safety Program

Communication (July 16, 2003) from the Secretary, Board of Health, advising of the Board of Health' action of July 14, 2003, and forwarding the report (June 30, 2003) from the Medical Officer of Health for consideration.

16. Audit Report on the Federally Funded Supporting Communities Partnership Initiative (SCPI) – 2002/03

Communication (September 8, 2003) from the City Clerk, Community Services Committee, advising of the Committee's action of September 8, 2003 and forwarding the report (August 20, 2003) from the Commissioner, Community and Neighbourhood Services for information