

THE CITY OF TORONTO

Clerk's Department

Minutes of the Audit Committee

Meeting No. 2

Wednesday, January 21, 2004

The Audit Committee met on Wednesday, January 21, 2004 in Committee Room 1, 2nd Floor, City Hall, commencing at 2:00 p.m.

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

On motion by Councillor Stintz, the Minutes of the Meetings held on September 16 and December 4, 2003 were confirmed.

2.1 2004 Operating Plan and Budget – Auditor General’s Office

The Audit Committee had before it a report (January 13, 2004) from the Auditor General respecting 2004 Operating Plan and Budget - Auditor General’s Office and recommending that the attached 2004 Operating Plan and Budget for the Auditor General’s Office be approved and forwarded to the Budget Advisory Committee.

The Audit Committee received a presentation from the Auditor General.

On motion by Councillor Del Grande, the Audit Committee approved the 2004 Operating Plan and Budget for the Auditor General’s Office attached to the report (January 13, 2004) from the Auditor General and forwarded same to the Budget Advisory Committee.

(Letter sent to: Budget Advisory Committee; c.: Auditor General, Dianne La Chapelle, Supervisor, Administration, Auditor General’s Office - January 22, 2004)

(Report No. 1, Clause 9(b))

2.2 Audit Work Plan – 2004

The Audit Committee had before it a report (January 6, 2004) from the Auditor General respecting Audit Work Plan - 2004 and recommending that the 2004 Audit Work Plan for the Auditor General’s Office, as set out in this report, be received for information.

The Audit Committee received a presentation from the Auditor General.

On motion by Councillor Holyday, the Audit Committee submitted the Auditor General's 2004 Workplan attached to the report (January 6, 2004) from the Auditor General, in

accordance with Chapter 169-30.1 of the City of Toronto Municipal Code, and advised Council that:

- (1) the Audit Committee received the Workplan; and
- (2) Council may not amend or delete the Workplan, but may only add to the Workplan by a 2/3 vote of all Members of Council (30 members).

(Letter sent to: Auditor General; c.: Ben Smid, Senior Audit Manager - January 22, 2004)

(Report No. 1, Clause 8)

2.3 Supplementary Report to the Auditor General's "Annual Report on the Status of Fraud and Related Matters, Including the Operation of the Fraud & Waste Hotline Program"

The Audit Committee had before it a report (December 19, 2003) from the Auditor General respecting Supplementary Report to the Auditor General's "Annual Report on the Status of Fraud and Related Matters, Including the Operation of the Fraud & Waste Hotline Program" and recommending that that this report be received for information.

The Audit Committee also had before it Audit Committee Report No. 4, Clause 8, titled, "Annual Report on the Status of Fraud and Related Matters, Including the Operation of the Fraud & Waste Hotline Program", which was adopted by City Council at its meeting of September 22, 23, 24 and 25, 2003.

The Audit Committee received a presentation from the Auditor General.

The Audit Committee:

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

- (1) received the report for information;
- (2) requested the Auditor General to:
 - (a) give consideration to a communications program for City employees, including the publication of results of complaints made to the hot line, the number of investigations completed and the actions taken;

On motion by Councillor Fletcher:

- (b) report further on:
 - (i) the total amount recovered from the 14 substantiated complaints;

- (ii) whether departmental changes in operations took place when the complaint was substantiated but had no monetary amount involved, and to report where no departmental operational changes took place;
- (iii) the possibility of offering a reward for cases where substantial savings/recovery occurred as a result of a complaint to the hot line; and

On motion by Councillor Holyday:

- (3) requested the Chief Financial Officer and Treasurer to report to the Audit Committee on whether the SAP system has an overtime threshold limit for individual City employees, and for employees of the City's Agencies, Boards and Commissions.

(Letter sent to: Auditor General; Chief Financial Officer and Treasurer; c.: Carmelina Di Mondo, Audit Manager - January 22, 2004)

(Report No. 1, Clause 9(c))

2.4 Auditor General's Response – SAP Financial and Human Resources/Payroll Information System, Post Implementation Review – Status of Recommendations

The Audit Committee had before it a report (December 31, 2003) from the Auditor General respecting Auditor General's Response – SAP Financial and Human Resources/Payroll Information System, Post Implementation Review – Status of Recommendations, and recommending:

- (1) That Recommendation 5 of the report of the Auditor General entitled, "SAP Financial and Human Resources/Payroll Information Systems – Post Implementation Review" adopted by City Council on April 14, 15, and 16, 2003, be reaffirmed. The recommendation was as follows:

"The Commissioner of Corporate Services in consultation with the City Solicitor ensure that, where possible, all future system development agreements are structured in such a way that software maintenance payments are based on the number of software licenses in use and not on the number of licenses acquired."

- (2) That the Commissioner of Corporate Services, in consultation with the City Solicitor, report back to the Audit Committee by June 30, 2004, on the results of the negotiation process with SAP Canada Inc. including specific financial implications, with regard to both software license costs and maintenance fees incurred in relation to surplus software licenses not in use;

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- (3) That the Commissioner of Corporate Services ensure that all requests for new management information systems from City Departments, Agencies, Boards and Commissions be reviewed and approved by the Executive Director of Information and Technology, unless there be compelling reasons otherwise, all such new equipment be restricted to SAP. In particular, this process include any future management information systems required by the Toronto Transit Commission; and
- (4) That the Chief Financial Officer and Treasurer and Commissioner of Corporate Services report back to the Audit Committee by June 30, 2004, on the progress and timelines for implementing the balance of the recommendations contained in the Auditor General's report entitled "SAP Financial and Human Resources/Payroll Information Systems – Post Implementation Review".

The Audit Committee also had before it a joint report (January 8, 2004) from the Chief Financial Officer and Treasurer and the Commissioner of Corporate Services respecting SAP Financial and Human Resources/Payroll Information Systems – Post Implementation Review – Revised Status of Recommendations, and recommending:

- (1) That the report, SAP Financial and Human Resources/Payroll Information Systems – Post Implementation Review – Status of Recommendations, be forwarded to the Policy and Finance Committee for information; and
- (2) That the 2004 operating budget for SAP maintenance fees be transferred from the Finance Department, Accounting Services Division to the Corporate Services, Information & Technology Division.

The Audit Committee also had before it a report (August 25, 2003) from the Chief Financial Officer and Treasurer respecting SAP Implementation Final Report – Update, and recommending that the report "SAP Implementation Final Report – Update", be received for information.

On motion by Councillor Holyday, the Audit Committee recommended that City Council:

- (1) adopt the report (December 31, 2003) from the Auditor General;
- (2) adopt the joint report (January 8, 2004) from the Chief Financial Officer and Treasurer and the Commissioner of Corporate Services; and
- (3) receive the report (August 25, 2003) from the Chief Financial Officer and Treasurer

The Audit Committee also requested:

On motion by Councillor Holyday:

- (1) the Chief Financial Officer and Treasurer to report on the total funds expended in 2002 and 2003 on the SAP Financial and Human Resources/Payroll Information System;

On motion by Councillor Del Grande:

- (2) the Commissioner of Corporate Services to submit an interim report to the Audit Committee, at its meeting to be held on February 24, 2004 on the progress of negotiations with SAP Canada Inc.

(Letter sent to: Chief Financial Officer and Treasurer; Commissioner of Corporate Services; c.: Auditor General; Steve Harris, Senior Audit Manager; Cam Weldon, Director, Accounting Services; Executive Director, Information and Technology - January 22, 2004)

(Report No. 1, Clause 1)

2.5 External Auditors – Policy of Rotation

The Audit Committee had before it a report (November 18, 2003) from the Auditor General respecting External Auditors - Policy of Rotation, and recommending that all future Request for Proposals for external audit services include a provision that the lead audit engagement partner must be rotated in circumstances where the incumbent audit firm is the winning proponent.

On motion by Councillor Stintz, the Audit Committee recommended the adoption of the report (November 18, 2003) from the Auditor General.

(Report No. 1, Clause 2)

2.6 Procurement Process Review – Status and Preliminary Implementation Plan/Timelines

The Audit Committee had before it a communication (September 29, 2003) from the City Clerk forwarding, for information, Administration Committee Report No. 9, Clause 46, titled, “Procurement Process Review – Status and Preliminary Implementation Plan/Timelines”, which was adopted by City Council at its meeting held on September 22, 23, 24 and 25, 2003.

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

(Letter sent to: Auditor General; c.: Chief Financial Officer and Treasurer; Lou Pagano, Director, Purchasing and Materials Management Division; Laurie McQueen, Strategic and Corporate Policy Division, Office of the CAO; Chief Administrative Officer - January 22, 2004)

(Report No. 1, Clause 9(d))

2.7 Follow-up on the Auditor General's Recommendations with Respect to Accounts Payable

The Audit Committee had before it a communication (September 4, 2003) from the City Clerk, Administration Committee, advising of the Committee's action of September 4, 2003 and forwarding, for information, the report (August 25 2003) from the Chief Financial Officer and Treasurer respecting Follow-up on the Auditor General's Recommendations with Respect to Accounts Payable

On motion by Councillor Stintz, the Audit Committee received the communication for information.

(Letter sent to: Auditor General; c.: Chief Financial Officer and Treasurer; Cam Weldon, Director, Accounting Services - January 22, 2004)

(Report No. 1, Clause 9(e))

2.8 Semi-Annual Update: Response to the Review of the investigation of sexual assaults – Toronto Police Service

The Audit Committee had before it a report (January 7, 2004) from A. Milliken Heisey, Q.C., Toronto Police Services Board respecting Semi-Annual Update: Response to the Review of the investigation of sexual assaults – Toronto Police Service, and recommending that the Audit Committee receive this report.

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

(Letter sent to: A. Milliken Heisey, Q.C., Chair, Toronto Police Services Board, 40 College Street, Toronto M5G 2J3 - January 22, 2004)

(Report No. 1, Clause 9(f))

2.9 Improvements to the Collection Process for Outstanding Accounts Receivable

The Audit Committee had before it a report (September 26, 2003) from the Acting Chair, Toronto Police Services Board respecting Improvements to the Collection Process for Outstanding Accounts Receivable, and recommending that the Audit Committee receive this report.

On motion by Councillor Holyday, the Audit Committee deferred consideration of the report until its meeting to be held on February 24, 2004, and requested that

representatives of the Toronto Police Service be present at that time to clarify concerns respecting the clearing of delinquent Accounts Receivable.

(Letter sent to: A. Milliken Heisey, Q.C., Chair, Toronto Police Services Board, 40 College Street, Toronto M5G 2J3; c.: Chief of Police - January 22, 2004)

(Report No. 1, Clause 9(g))

2.10 Audited Financial Statements of Arenas

The Audit Committee had before it a report (January 7, 2004) from the Chief Financial Officer and Treasurer respecting Audited Financial Statements of Arenas, and recommending that the financial statements appended to this report be received.

On motion by Councillor Del Grande, the Audit Committee recommended that City Council receive the 2002 Financial Statements of the following arenas, appended to the report (January 7, 2004) from the Chief Financial Officer and Treasurer:

George Bell Arena
Leaside Memorial Gardens
McCormick Playground Arena

On further motion by Councillor Del Grande, the Audit Committee requested:

- (1) the Auditor General to resubmit to the Audit Committee the report on the centralization of accounting and other services of arenas and community centres; and
- (2) the Chief Administrative Officer to review the sick leave bank policy of ABC's, Community centres and arenas with a view to implementing a method of disengaging this policy in order to reduce the City's long term unfunded liability.

(Letter sent to: Auditor General; Chief Administrative Officer; c.: Chief Financial Officer and Treasurer; Carolyn Baird, Senior Audit Manager; Ken Colley, Manager, Financial Reporting - January 22, 2004)

(Report No. 1, Clause 3)

2.11 2002 Audited Financial Statements of Community Centres

The Audit Committee had before it a report (January 8, 2004) from the Chief Financial Officer and Treasurer respecting 2002 Audited Financial Statements of Community Centres, and recommending that the financial statements appended to this report be received.

On motion by Councillor Del Grande, the Audit Committee recommended that City Council receive the 2002 Financial Statements of the following community centres, appended to the report (January 8, 2004) from the Chief Financial Officer and Treasurer:

Applegrove Community Centre
Central Eglinton Community Centre
Community Centre 55
Eastview Neighbourhood Community Centre
519 Church Street Community Centre
Harbourfront Community Centre
Ralph Thornton Community Centre

On further motion by Councillor Del Grande, the Audit Committee requested:

- (1) the Auditor General to resubmit to the Audit Committee the report on the centralization of accounting and other services of arenas and community centres; and
- (2) the Chief Administrative Officer to review the sick leave bank policy of ABC's, Community centres and arenas with a view to implementing a method of disengaging this policy in order to reduce the City's long term unfunded liability.

(Letter sent to: Auditor General; Chief Administrative Officer; c.: Chief Financial Officer and Treasurer; Carolyn Baird, Senior Audit Manager; Ken Colley, Manager, Financial Reporting - January 22, 2004)

(Report No. 1, Clause 4)

2.12 Financial Statements of Business Improvement Areas

The Audit Committee had before it a report (January 7, 2004) from the Chief Financial Officer and Treasurer respecting Financial Statements of Business Improvement Areas, and recommending that the 2002 and 2001 financial statements for Business Improvement Areas operated by Boards of Management be received.

On motion by Councillor Holyday, the Audit Committee recommended that City Council receive the 2002 and 2001 Financial Statements of the following Business Improvement Areas, appended to the report (January 7, 2004) from the Chief Financial Officer and Treasurer:

Bloor Annex	Junction Gardens
Bloor By The Park	Kennedy Road (2001)
Bloor West Village	Kingsway
Bloor-Yorkville	Lakeshore Village
Bloorcourt Village	Long Branch
Bloordale Village	Mimico By The Lake (2001 and 2002)
Corso Italia	Mimico Village

Danforth	Old Cabbagetown
Dovercourt Village	Pape Village
Downtown Yonge	Parkdale Village (2001)
Eglinton Hill	Queen Broadview Village
Eglinton Way	Roncesvalles Village
Greektown on the Danforth (2001)	St. Clair Gardens
Gerrard India Bazaar	St. Lawrence Neighbourhood
Harbord Street	Village of Islington
Hillcrest Village	Weston (2001)
	Yonge-Lawrence Village

(Report No. 1, Clause 5)

2.13 2002 Audited Trust Fund Financial Statement

The Audit Committee had before it a report (August 29, 2003) from the Chief Financial Officer and Treasurer respecting 2002 Audited Trust Fund Financial Statement, and recommending that the audited financial statements of the City's trust funds for the year ended December 31, 2002 be received.

On motion by Councillor Holyday, the Audit Committee recommended that the audited financial statements of the City's trust funds for the year ended December 31, 2002 be received.

(Report No. 1, Clause 6)

2.14 2002 Audited Financial Statements of Heritage Toronto

The Audit Committee had before it a report (August 29, 2003) from the Chief Financial Officer and Treasurer respecting 2002 Audited Financial Statements of Heritage Toronto, and recommending that this report be received.

On motion by Councillor Stintz, the Audit Committee recommended that City Council receive the 2002 Audited Financial Statements of Heritage Toronto, appended to the report (August 29, 2003) from the Chief Financial Officer and Treasurer.

(Report No. 1, Clause 7)

2.15 Request for Audit of Drive Clean Tender Process

The Audit Committee had before it a communication (December 9, 2003) from the City Clerk forwarding a motion respecting a Request for Audit of Drive Clean Tender Process which City Council, at its meeting held on December 2 and 4, 2003, referred to the Audit Committee

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On motion by Councillor Holyday, the Audit Committee referred the communication to the Auditor General.

(Letter sent to: Auditor General - January 22, 2004)

(Report No. 1, Clause 9(h))

The Committee adjourned at 6:00 p.m.

Chair

Attendance:

January 21, 2004	2:00 p.m. – 6:00 p.m.
Balkissoon (Chair)	X
Holyday (Vice-Chair)	X
Del Grande	X
Fletcher	X
Stintz	X