

**THE CITY OF TORONTO**

**Clerk's Department**

**Minutes of the Audit Committee**

**Meeting No. 4**

**To be confirmed in September**

**Tuesday, May 11, 2004**

The Audit Committee met on Tuesday, May 11, 2004 in Committee Room 1, 2<sup>nd</sup> Floor, City Hall, commencing at 9:30 a.m.

On motion by Councillor Holyday, the Minutes of the Meeting held on January 21, 2004 were confirmed.

No Declarations of Interest under the Municipal Conflict of Interest Act were declared.

**4.1 Review of the Implementation of Recommendations of the Final Report of the Task Force on Community Access and Equity**

**(Deferred from February 24, 2004)**

The Audit Committee had before it a report (January 9, 2004) from the Auditor General presenting the results of the review of the City's success in implementing the recommendations of the Final Report of the Task Force on Community Access and Equity as required by Recommendation number 85 of that report and recommending:

- (1) the Chief Administrative Officer complete the corporate Access Action Plan Guide by March 31, 2004 to facilitate departmental access and equity action planning for submission to the Policy and Finance Committee and Council by November 2004;
- (2) the Chief Administrative Officer take the necessary steps to ensure:
  - (a) the completion of a corporate access and equity plan that identifies corporate priorities, a multi-year implementation plan, interim targets and implementation timelines for adoption by City Council by November 2004; and
  - (b) that the Diversity Management and Community Engagement Unit leads and facilitates a corporate access and equity planning process that involves departmental representatives, the new Roundtable on Access, Equity and

Human Rights, and other advisory committees on access and equity related matters;

- (3) the Commissioner of Community and Neighbourhood Services, in consultation with the Chief Administrative Officer, facilitate the development of a multi-year implementation plan for the Immigration and Settlement Policy Framework

consisting of specific, attainable, and achievable implementation objectives with clear timelines, and report to the Community Services Committee and City Council by September 2004;

- (4) the Chief Administrative Officer take the necessary steps to ensure that:
- (a) the Diversity Management and Community Engagement Unit assigns staff leads to support City departments in access and equity action planning, in accordance with Recommendation number 90 of the Task Force on Community Access and Equity; and
  - (b) there are clear linkages and co-ordination between the Diversity Management and Community Engagement Unit and Human Resources Division in their support to City departments in planning and achieving their access and equity goals;
- (5) the Commissioner of Corporate Services report to the Administration Committee by June 2004 on how the expertise and skills of the employment equity and human rights consultants are being used to enhance the activities of the Human Resources Business Units as required by Recommendation number 95(i) of the Task Force on Community Access and Equity;
- (6) the Chief Administrative Officer complete a review of the effectiveness of the structure and operation of the Access and Equity Community Advisory Committees and Working Groups, and consider the findings of the review in preparing her report to the Policy and Finance Committee and City Council on the terms of reference for the new Roundtable on Access, Equity and Human Rights, Aboriginal Affairs Advisory Committee and the Working Groups on Access, Equity and Human Rights Issues;
- (7) Departmental Commissioners:
- (a) identify in the departmental access and equity action plan opportunities for involving residents in program advisory committees; and
  - (b) ensure that the operational effectiveness of these program advisory committees is regularly reviewed for improvement;

- (8) the Commissioner of Corporate Services, in consultation with the Chief Administrative Officer and departmental Commissioners, report to the Policy and Finance Committee by September 2004 on the Accessibility Design Guidelines, including a City-wide strategy to implement the Guidelines on all City facilities and the resource implications;
- (9) the Commissioner of Corporate Services, in consultation with the Chief Administrative Officer and departmental Commissioners, finalize the draft Employment Accommodation Policy for reporting to the Policy and Finance Committee by June 2004. Such a report should include resource implications, options and target implementation timelines for consideration by City Council;
- (10) the Commissioner of Corporate Services, in consultation with the Chief Administrative Officer, develop, pilot and begin delivering, a diversity training program in 2004. The diversity training program, where appropriate, should be customized to meet the specific needs of departmental staff in providing services to the public;
- (11) the Chief Administrative Officer:
- (a) take over responsibility for the Human Rights Office and request Council approval to transfer all existing staff resources and approved budget of the Human Rights Office from the Corporate Services Department to the Chief Administrator's Office;
  - (b) ensure that the Human Rights Office is established as a distinct unit within the Chief Administrator's Office such that it has the profile and operational independence to carry out its functions specifically related to investigations, the provision of confidential advice, and raising contentious issues that require attention; and
  - (c) develop effective communication mechanisms to ensure that City staff are fully aware of the roles of the Human Rights Office in addressing human rights enquiries and complaints;
- (12) the Chief Administrative Officer, in consultation with the Commissioner of Corporate Services:
- (a) clearly define the roles and responsibilities of the Human Rights Office and consultants in Human Resources Business Units in their investigation and reporting of all complaints of discrimination regarding employment, access to services, and hate-related activities;

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- (b) develop mechanisms to maintain strong linkages between the Human Rights Office and Human Resources Division to ensure that all Human Resources policies, programs, and guidelines incorporate human rights standards and reflect the City's commitment to human rights and equity; and
- (c) ensure that all data on human rights complaints, enquiries, and concerns received and addressed by the Human Resources Division are reported to the Human Rights Office for inclusion in its annual report to Council effective 2004;
- (13) the Commissioner of Community and Neighbourhood Services expedite the development of the program standards and risk management and performance measures as a part of the implementation of the Grants Accountability and Risk Management Framework, and report on the progress to the Policy and Finance Committee by June 2004;
- (14) the Chief Administrative Officer, in consultation with the Commissioner of Community and Neighbourhood Services, review the current administration of the Access and Equity Grants Program with a view to identifying areas for improved efficiency through further co-ordination with the administration of the Community Services Grants Program; and
- (15) the Commissioner of Community and Neighbourhood Services ensure that the Grants Business Practice Improvement Project includes an assessment of grant application review procedures (particularly on Part A of the application form, site visits and information sessions) for opportunities to eliminate duplications among City grants programs.

The Audit Committee also had before it the following report/communications:

- (February 13, 2004) from the Chief Administrative Officer responding to the Auditor General's Review of the Implementation of Recommendations of the Final Report of the Task Force on Community Access and Equity;
- (May 11, 2004) from Avvy Go, Metro Toronto Chinese and South East Asian Legal Clinic;
- (May 11, 2004) from Michael Kerr, Karuna Community Services;
- (May 11, 2004) from Reggie Modlich, MES, Women Plan Toronto and Toronto Women's Call for Action; and
- (May 11, 2004) from Prabha Khosla, Toronto Women's Call to Action.

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The Audit Committee received a presentation from Auditor General's Office.

The following appeared before the Committee:

- Avvy Go, Metro Toronto Chinese and South East Asian Legal Clinic;
- Michael Kerr, Karuna Community Services;
- Reggie Modlich, obo Toronto Women's Call to Action;
- Prabha Khosla, obo Toronto Women's Call to Action;and
- Amy Casipullai, Ontario Council of Agencies Serving Immigrants.

The Audit Committee recommended that City Council:

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

- (1) adopt the report (January 9, 2004) from the Auditor General, subject to the completion of the Corporate Access Action Plan Guide being completed by June 30, 2004;

On motion by Councillor Fletcher:

- (2) forward the report to the City's Agencies, Boards and Commissions, with the request that they address the recommendations in the report and report to the Audit Committee, through the Chief Administrative Officer, on their progress;
- (3) request that the Audit for this term of Council begin and be completed by the end of this term of Council;
- (4) request that the Audit for this term include community reference groups to guide the Audit;
- (5) refer the report to the Roundtable on Access, Equity and Human Rights, to inform its Action Plan;
- (6) request the Chief Administrative Officer report in the 2005 Budget process on resource requirements.

On further motion by Councillor Balkissoon, with Councillor Holyday in the Chair, the Audit Committee also requested that the communications and presentations submitted by the speakers be forwarded to the Chief Administrative Officer for consideration as part of the further reviews to take place.

**(Report No. 3, Clause No. 1)**

**4.2 Economic Development, Culture and Tourism Department – Review of Receivables Relating to Parks and Recreation Operations and the Review of Revenue and cash Controls Relating to the parks and Recreation Division, North and South Districts**

The Audit Committee had before it a report (March 19, 2004) from the Auditor General respecting Economic Development, Culture and Tourism Department – Review of Receivables Relating to Parks and Recreation Operations and the Review of Revenue and cash Controls Relating to the parks and Recreation Division, North and South Districts, and recommending that:

- (1) the Commissioner, Economic Development, Culture and Tourism review all reports issued by the Auditor General's Office relating to cash controls and accounts receivable management and ensure that all recommendations are appropriately addressed;
- (2) City Council direct that those recommendations relating to the management of accounts receivable be forwarded to City Commissioners and Senior Executives of City Agencies, Boards and Commissions in order to determine whether or not the recommendations contained in this report have applicability to their respective organizations. Where appropriate, such recommendations be implemented immediately;
- (3) the Commissioner, Economic Development, Culture and Tourism review in detail the outstanding accounts receivable balances and ensure that:
  - (a) efforts are directed to the collection of the outstanding accounts receivable balances. Such outstanding amounts be prioritized in terms of the extent of each receivable. Priority be given to the largest amounts and those most likely to be collected;
  - (b) continuing services to those organizations and individuals that have outstanding receivable balances should be evaluated. Payment plans be developed and monitored. In specific circumstances where there is no agreement on payment plans, services to these organizations be discontinued;
  - (c) where specific payments relating to outstanding receivables are identifiable and have been credited to the incorrect account, the accounting records be adjusted accordingly;
  - (d) when appropriate, and where potential gains exceed the cost, in consultation with the Chief Financial Officer and Treasurer, consideration

be given to the assignment of receivables to collection agencies for collection;

- (e) in consultation with the Chief Financial Officer and Treasurer, consideration be given to the charging of interest on accounts which have been outstanding for a pre-determined period of time;
- (f) management review the collectability of the receivables and determine an appropriate level of provision for uncollectable accounts. This

information be communicated to the Chief Financial Officer and Treasurer and recorded in the accounting records of the City. Such a process to be conducted on an annual basis;

- (g) where all collection efforts have been exhausted, such accounts be forwarded to Council, in accordance with policy, for formal write-off authority. This process be conducted in consultation with the Chief Financial Officer and Treasurer and take place on an annual basis; and
- (h) specific performance measures be developed in order to measure the effectiveness of the receivable collection process. Management reports be amended to facilitate the disclosure of receivables by District and appropriate action be taken where collection efforts are not meeting performance expectations.

- (4) The Commissioner, Economic Development, Culture and Tourism, in consultation with the Chief Financial Officer and Treasurer, develop accounts receivable policies and procedures in order to provide guidance for the

management of accounts receivable. Specifically the policy and procedure address collection efforts, the granting of credit, routine ageing of accounts, standard time frames for sending accounts to collection agencies and the process for the determination of doubtful accounts and the write-off of uncollectable accounts;

- (5) The Commissioner, Economic Development, Culture and Tourism review its policies relating to the level of authority given to senior staff. Such review include a written and communicated policy relating to discounts and under no circumstances should arbitrary discounts be given which are not in compliance with policy. In particular, fees for recoverable costs, which are waived or discounted by staff in excess of a predetermined amount, should be reviewed and approved in writing by the General Manager of Parks and Recreation. The amounts of discounts and fees waived should be separately accounted for;

- (6) the Commissioner, Economic Development, Culture and Tourism, during its review of the Department's organizational structure, prioritize those facilities requiring the implementation of the appropriate financial modules within the

CLASS permitting and registration system. A specific timetable be established for implementation of such CLASS modules at those prioritized City facilities;

- (7) The Commissioner, Economic Development, Culture and Tourism during its current organizational review give consideration to the re-evaluation of the mandate of the Compliance Unit within the Administrative Support Services Division. Such a review to consider the revisions of the mandate to include an independent internal audit component reporting directly to the Commissioner of

Economic Development, Culture and Tourism and also consider the recent revisions to the City's audit framework;

- (8) The Commissioner, Economic Development, Culture and Tourism give consideration to soliciting the advice and guidance of the City's Internal Audit Division to assist the Compliance Unit in terms of:
- (a) establishing a risk-based methodology to identify recreation facilities for review;
  - (b) the extent and frequency of audit work required, including the development of audit programs;
  - (c) standard reporting requirements;
  - (d) the extent of follow-up work; and
  - (e) a timetable for future reviews.
- (9) The Commissioner, Economic Development, Culture and Tourism assign the overall responsibility for the review and ongoing updating of the Cash Handling and Internal Controls Policies and Procedures manual to the Compliance Unit within the Administrative Support Services Division. The Compliance Unit be required to immediately update the manual in order to reflect current circumstances and all such changes be communicated to appropriate staff. Any updates to the manual be approved in writing by senior management;
- (10) The Commissioner, Economic Development, Culture and Tourism ensure that Recreation and Facilities Supervisors conduct ongoing supervisory reviews and analysis as required by the Cash Handling and Internal Controls Policies and Procedures manual. Such reviews include comprehensive assessments of cashier functions and reports. In particular, all journal entries be reviewed and approved. Evidence of such review be documented in writing. The Compliance Unit ensure that such reviews are conducted in accordance with policy;



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- (11) The Commissioner, Economic Development, Culture and Tourism re-evaluate the 2004 business plan of the Compliance Unit to ensure that its review of recreation facilities is at a level commensurate with the risks inherent in relation to the level of cash handled;
- (12) The Commissioner, Economic Development, Culture and Tourism take the necessary action to ensure that staff at all recreation facilities comply with policies and procedures;
- (13) The Commissioner, Economic Development, Culture and Tourism take appropriate steps to ensure that initial and on-going training of cash handling procedures is provided. Such training to ensure that all cash custodians are aware of the City's policies and procedures and act in accordance with such policies and procedures;
- (14) The Commissioner, Economic Development, Culture and Tourism direct the Compliance Unit to evaluate the controls over the sale and accounting for memberships and passports. Such review to ensure that the inventory of memberships and passports are accounted for, the numerical sequence of all such passes is controlled, and reconciliations of cash collected with passports sold is performed on a daily basis. All reconciliations be reviewed and approved in writing by supervisory staff;
- (15) The Commissioner, Economic Development, Culture and Tourism, in consultation with the Chief Financial Officer and Treasurer, develop reporting facilities within the CLASS permitting and registration system and the SAP financial information system such that the need for the existence of duplicate accounting systems are eliminated. The Commissioner, Economic Development, Culture and Tourism ensure that the full reporting potential of the CLASS system is realized;
- (16) The Commissioner, Economic Development, Culture and Tourism review the practice of facilities setting aside revenues for specific purposes. The collection of revenue and the expenditure of funds should be a part of the annual budget process unless specifically approved otherwise by City Council;
- (17) The Commissioner, Economic Development, Culture and Tourism ensure that adequate supporting documentation is reviewed and retained in order to support the waiving of fees for "not for profit organizations";
- (18) The Commissioner, Economic Development, Culture and Tourism, in consultation with the Chief Financial Officer and Treasurer, review the

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unreconciled difference in the Department's bank account and, where appropriate, make the necessary adjusting entries to the accounting records;

(19) The Commissioner, Economic Development, Culture and Tourism ensure that all cash overages and shortages are appropriately accounted for and reported at the facility level. The Financial Unit within the Administration and Support Services Division review and monitor such reports and take necessary and appropriate action; and

(20) the Commissioner, Economic Development, Culture and Tourism be required to report back to the July 13, 2004 Audit Committee on the implementation of the

recommendations contained in this report. Such response to address each individual recommendation with a suggested timetable for implementation.

The Audit Committee also had before it a report (April 29, 2004) from the Commissioner of Economic Development, Culture and Tourism respecting Management Response to the Auditor General's Report on Review of Receivables, Revenue and Cash Controls Relating to the Parks and Recreation Division, Economic Development, Culture and Tourism Department, and recommending that this report be received for information.

The Audit Committee received a presentation from Auditor General's Office.

The Audit Committee recommended that City Council:

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

- (1) adopt the report (March 19, 2004) from the Auditor General;
- (2) request the Commissioner of Economic Development, Culture and Tourism, as part of his implementation plan, submit a analysis by individual or group (profit or non-profit), and by district; or if that is not possible, by category, of the \$4.486 million in outstanding receivables relating to recreation facilities, programs and permits; and
- (3) request the Commissioner of Economic Development, Culture and Tourism report to the Audit Committee, at its meeting to be held in September, 2004, on the implementation status of the recommendations contained in the report;

On motion by Councillor Fletcher:

- (4) request the Commissioner of Economic Development, Culture and Tourism report, as part of his implementation plan, on costs relating to the training of staff in relation to CLASS and SAP, and whether it is cost effective; and

On motion by Councillor Holyday:

- (5) request that billings to organizations for recoverable costs be prepared on a timely basis.

**(Report No. 3, Clause No. 2)**

**4.3 Revision – 2004 Annual Work Plan**

The Audit Committee had before it a report (April 21, 2004) from the Auditor General respecting Revision – 2004 Annual Work Plan recommending that this report be received for information.

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

(Letters sent to: Auditor General; c.: Ben Smid, Senior Audit Manager - May 14, 2004)

**(Report No. 3, Clause No. 6(a))**

**4.4 Improvements to the Collection Process for Outstanding Accounts Receivable**

**(Deferred from January 21, 2004 and February 24, 2004)**

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 report be received for information.

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

The Audit Committee referred this matter to the Chief Financial Officer and Treasurer to consult with the Toronto Police Service on the authority for the write-off of uncollectible accounts receivable and the Financial Control By-law and report back to the Audit Committee as soon as possible.

(Letters sent to: Chief Financial Officer and Treasurer; c.: A. Milliken Heisey, Q.C., Chair, Toronto Police Services Board, Chief of Police Julian Fantino - May 14, 2004)

**(Report No. 3, Clause No. 6(b))**

**4.5 Toronto Maintenance Management System Application Review**

The Audit Committee had before it a report (March 30, 2004) from the Auditor General respecting Toronto Maintenance Management System Application Review and recommending that:

- (1) City Council direct that this report be forwarded to all City Departments, Agencies, Boards and Commissions. These entities be required to review the recommendations in this report to determine whether or not they have relevance to their operations and take appropriate action where necessary;
- (2) the Commissioner, Works and Emergency Services, review the current practice for entering data in the Toronto Maintenance Management System. Such a review ensure that:
  - (a) the exercise to harmonize business practices is completed;
  - (b) the rules and requirements for entering data into the Toronto Maintenance Management System are developed and are appropriately and consistently followed in the Districts; and
  - (c) the data requirements are sufficient to create meaningful reports that will allow management to monitor activity and effectively carry out its responsibility;
- (3) the Commissioner, Works and Emergency Services:
  - (a) identify all outstanding requests for enhancements or modifications to the Toronto Maintenance Management System;
  - (b) analyze the costs and benefits of each potential change;
  - (c) prioritize the enhancements based on the cost benefit analysis; and
  - (d) ensure that the above steps are documented and approved by appropriate supervisory staff;
- (4) the Commissioner, Works and Emergency Services, submit to the SAP Competency Centre a current updated version of its business case for

implementing an electronic interface between SAP and the Toronto Maintenance Management System;

- (5) the Commissioner, Works and Emergency Services, complete the necessary steps to mitigate security weaknesses within the Toronto Maintenance Management System. These steps to include; identifying threats to the data and resources, performing an analysis to determine how the existing security measures protect against these threats and, implementing additional processes and controls identified as a result of this analysis;

- (6) the Commissioner, Works and Emergency Services, implement a security governance framework for the Toronto Maintenance Management System. The

framework should outline the standards to be followed, the duties to be performed and the staff position responsible for overseeing the security for the system;

- (7) the Commissioner, Works and Emergency Services, implement formal procedures, for granting or removing a user's access to the Toronto Maintenance Management System. These procedures to include, but not be limited to; approval requirements, assigning user group(s), procedures to deal with contractors, temporary workers, as well as transferred and terminated employees, and the maintenance of appropriate documentation in support of the access privileges granted;

- (8) the Commissioner, Works and Emergency Services, direct that a review of current user access rights be performed and that such a review be conducted on a regular

basis to confirm that user access rights are compatible with job functions and responsibilities;

- (9) the Commissioner, Works and Emergency Services, ensure that:

(a) the assignment of individuals to the "Administrator" user group is commensurate with operational requirements; and

(b) individuals, who are required to perform administrative duties in addition to daily operational duties, be given a second user account for their operational function;

- (10) the Commissioner, Works and Emergency Services, implement a process for tracking activity on the Toronto Maintenance Management System. The tracking strategy consider; the activities or actions to track, the generation of exception reports for review on a regular basis, and follow-up steps for exceptions noted. Further, the Division consult with Records & Archives Division of the Clerks

Office, to determine the appropriate retention period for audit records maintained within the system;

- (11) the Commissioner, Works and Emergency Services, ensure that passwords associated with the Toronto Maintenance Management System are encrypted and password management practices, such as setting a standard minimum length for the password forcing regular password changes, etc., are implemented;
- (12) the Commissioner, Works and Emergency Services, ensure that each user is provided with a unique User-ID and that the naming convention used be designed to give indication as to the owner of the User-ID;
- (13) the Commissioner, Works and Emergency Services, ensure that:
  - (a) a business continuity plan that integrates operational needs with the technology component of the Toronto Maintenance Management System is prepared, and that such a plan is documented and tested on a regular basis; and
  - (b) this plan be incorporated into the departments overall disaster recovery plan;
- (14) the Commissioner, Works and Emergency Services, implement a process to prioritize, justify and approve the implementation of all changes to the Toronto Maintenance Management System;
- (15) the Commissioner, Works and Emergency Services, ensure that staff sign the Task Control Sheet to signify the approval to proceed with the changes to the system and sign again to acknowledge acceptance of the completed change;
- (16) the Commissioner, Works and Emergency Services, document procedures for emergency changes and that these procedures be complied with and include the necessary user validation and authorization after the change has been made;
- (17) the Commissioner, Works and Emergency Services, investigate the opportunity for using the automated test tool available from the Corporate Information and Technology Division in future system changes or system development projects;
- (18) the Commissioner, Works and Emergency Services, conduct a thorough analysis of the reporting requirements of the users of the Toronto Maintenance Management System and consider these needs in further developing the system;

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- (19) the Commissioner, Works and Emergency Services, ensure that the development of reports follow a consistent process. That process to include defining the user's requirements, obtaining the necessary approval, testing for accuracy and receiving final user acceptance before adding a customized report to the Toronto Maintenance Management System;
- (20) the Commissioner, Works and Emergency Services, ensure that third parties granted access to the Toronto Maintenance Management System be contractually required to adhere to acceptable use policies similar to those in place for City employees;
- (21) the Commissioner, Works and Emergency Services, ensure that all future development and enhancements to the Toronto Maintenance Management System adhere to project management practices and standards, including a system to capture and report on the costs of projects;
- (22) the Commissioner, Works and Emergency Services, develop a project plan outlining all outstanding tasks appropriately prioritized, scoped, and approved and the estimated costs (including staff time) to complete the plan be reported to the Works Committee. The plan should be adhered to and any subsequent requests, unless deemed emergency or essential, be deferred;
- (23) the Commissioner, Works and Emergency Services, ensure that Toronto Maintenance Management System response times (i.e., making the system faster for the user) are included as one of the outstanding enhancement projects to be analyzed and prioritized; and
- (24) the Commissioner, Works and Emergency Services, report back to the Audit Committee scheduled for July 13, 2004, on a work plan in regard to the implementation of the recommendations contained in this report. Such report to include specific timelines for implementation.

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

- (1) the report (March 30, 2004) from the Auditor General be adopted; and
- (2) the Commissioner of Works and Emergency Services report to the Audit Committee, at its meeting to be held in September, 2004, on the implementation status of the recommendations contained in the report.

**(Report No. 3, Clause No. 3)**

#### **4.6 Audit Results – Year ended December 31, 2003**

The Audit Committee had before it a communication (April 26, 2004) from Martha Tory and Diana Brouwer, Ernst & Young, forwarding the results of the audit of the financial statements of the City of Toronto.

(Report from Ernst and Young titled, “City of Toronto Audit Results – Year Ended December 31, 2003” distributed to Members only)

The Audit Committee recommended that:

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

(1) the report (May 9, 2003) from Ernst & Young, Chartered Accountants, entitled, “City of Toronto - Audit Results – Year Ended December 31, 2003 – Report to the Audit Committee of the City of Toronto” be received for information;

(2) the following motion by Councillor Balkissoon be adopted:

“Whereas the external auditors have expressed concern relating to the collection of outstanding water and sewer accounts; and

Whereas the provision for uncollectable accounts has been increased by approximately \$7.5 million, a level which is unsatisfactory; and

Whereas the uncollectable accounts outstanding today is approximately \$11.0 million, which indicates an increase for 2003 of approximately 200%;

Be it resolved that the Chief Financial Officer and Treasurer review and report to the Audit Committee, on October 19, 2004 on the amounts outstanding and what

aggressive collection procedures, including the use of collection agencies etc., can be implemented to collect these funds before any write-off; and

Be it further resolved that the Chief Financial Officer and Treasurer report to the Audit Committee, on October 19, 2004, on a collection program/policy to better control these uncollectable accounts.”

On motion by Councillor Del Grande:

(3) the Chief Financial Officer and Treasurer submit to the Audit Committee a list of the City’s holdings for which the City needs to provide an environmental liability provision for the 2005 financial statements;



- (4) the Audit Committee receive a copy of the results of the Disaster Recovery Plan to be conducted this year.

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

**4.7 Status of Audit of Various Financial Statements – Year ended December 31, 2003**

The Audit Committee had before it a report (April 28, 2004) from the Auditor General respecting Status of Audit of Various Financial Statements – Year ended December 31, 2003 and recommending that this report be received for information.

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

(Letter sent to: Auditor General; c.: Carolyn Baird, Senior Audit Manager - May 14, 2004)

**(Report No. 3, Clause No. 6(c))**

**4.8 Terms of Reference**

The Audit Committee had before it a report (April 27, 2004) from the Auditor General respecting Terms of Reference and recommending that this report be received for information.

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

(Letter sent to: Auditor General; c.: May 14, 2004)

**(Report No. 3, Clause No. 6(d))**

**4.9 Consulting Contract Review – Network Architecture Group Inc. and EDS Canada Inc.**

The Audit Committee had before it a report (April 21, 2004) from the Auditor General respecting Consulting Contract Review – Network Architecture Group Inc. and EDS Canada Inc. and recommending that this report be received for information.

The Audit Committee also had before it a report (April 26, 2004) from the Commissioner of Corporate Services – Management Response – Contract Review – Network

Architecture Group Inc. and EDS Canada Inc. and recommending that this report be received for information.

Glen Harloff, LECG appeared before the Audit Committee in connection with this matter.

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

- (1) deferred the reports (April 21, 2004) from the Auditor General and (April 26, 2004) from the Commissioner of Corporate Services until July 13, 2004; and
- (2) requested the Commissioner of Corporate Services to report to the Audit Committee at that time, on the process that resulted in the awarding of the

contract on January 3, 1992, pursuant to RFQ No. 34-9201-10137 to Network Architecture Group Inc.

(Letter sent to: Commissioner of Corporate Services c.: Auditor General; Jerry Shaubel, Director, Auditor General's Office, John Davies, Executive Director, Corporate Information and Technology, Corporate Services, Glen Harloff - May 14, 2004)

**(Report No. 3, Clause No. 6(m))**

**4.10 Telephone System Selection for the City of Toronto – Forensic Review**

(In Camera – Confidential Appendix B of the report forwarded under separate cover to Members of Council as the appendix contains personal matters about an identifiable individual, including municipal or local board employees)

The Audit Committee had before it a report (December 12, 2003) from the Auditor General respecting Telephone System Selection for the City of Toronto – Forensic Review and recommending that this report be received for information.

The Audit Committee also had before it a report (April 26, 2004) from the Commissioner of Corporate Services – Management Response – Forensic Review of Telephone System Selection for the City of Toronto and recommending that this report be received for information.

On motion by Councillor Holyday, the Audit Committee deferred the reports on its meeting until July 13, 2004.

(Letter sent to: Auditor General; c.: Commissioner of Corporate Services, Jerry Shaubel, Director, Auditor General's Office, John Davies, Executive Director, Information and Technology, Corporate Services - May 14, 2004)

**(Report No. 3, Clause No. 6(e))**

**4.11 Arenas – Audit Management Letters**

The Audit Committee had before it a report (April 27, 2004) from the Auditor General respecting Arenas – Audit Management Letters 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 July 31, 2004.

On motion by Councillor Del Grande, the Audit Committee:

- (1) received for information the individual management letters issued for each of the Committees of Management for Arenas; and
- (2) directed the Commissioner of Economic Development, Culture and Tourism to ensure that the issues identified in the individual management letters are addressed and report back to the Audit Committee by July 31, 2004.

(Letter sent to: Auditor General; c.: Carolyn Baird, Senior Audit Manager, Forest Hill Memorial Arena Committee of Management, Leaside Memorial Community Arena Committee of Management, McCormick Playground Arena Committee of Management, William H. Bolton Arena Committee of Management – May 14, 2004)

**(Report No. 3, Clause No. 6(f))**

**4.12 Community Centres – Audit Management Letters**

The Audit Committee had before it a report (April 27, 2004) from the Auditor General respecting Community Centres – Audit Management Letters and recommending that:

- (1) the individual management letters issued for each of the Boards of Management for Community Centres be received for information; and

- (2) the Commissioner of Community and Neighbourhood Services be directed to ensure that the issues identified in the individual management letters are addressed and report back to the Audit Committee by July 31, 2004.

On motion by Councillor Del Grande, the Audit Committee:

- (1) received for information the individual management letters issued for each of the Boards of Management for Arenas; and
- (2) directed the Commissioner of Community and Neighbourhood Services to ensure that the issues identified in the individual management letters are addressed and report back to the Audit Committee by July 31, 2004.

(Letter sent to: Auditor General; c.: Carolyn Baird, Senior Audit Manager, Scadding Court Community Centre Board of Management, Swansea Town Hall Community Centre Board of Management – May 14, 2004)

**(Report No. 3, Clause No. 6(g))**

#### **4.13 2003 Audited Consolidated Financial Statements**

The Audit Committee had before it a report (May 3, 2004) from the Chief Financial Officer and Treasurer respecting 2003 Audited Consolidated Financial Statements and recommending that the 2003 Consolidated Financial Statements be approved.

The Audit Committee recommended that:

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

- (1) the 2003 City of Toronto Consolidated Financial Statements, attached to the report (May 3, 2004) from the Chief Financial Officer and Treasurer, be approved;
- (2) the following motion by Councillor Balkissoon be adopted:

“Whereas the sick leave liability for the City and its ABCs at December 31, 2003 is \$285,845,000.00 (an increase of \$17.5 million of 6.5% over the equivalent amount in 2003; and

Whereas this liability continues to increase on an annual basis; and

Whereas the amount set aside in a reserve account to fund this liability is only \$88 million, which represents only 30% of the liability; and

Whereas this reserve fund is decreasing (from \$93 million to \$88 million in 2003) while the liability is increasing; and

Whereas other municipalities, particularly the Region of York, discontinued its sick leave program a number of years ago;

Now therefore be it resolved that the Chief Financial Officer and Treasurer review and report to the Audit Committee, at its meeting to be held on October 19, 2004 on:

- (1) all avenues for the City and its ABCs to discontinue the sick leave program, taking into account the experience of other municipalities who have discontinued their sick leave plan;
- (2) alternative programs to the sick leave plan for new employees and those employees whose sick leave has not yet vested (those employees with less than 10 years service);
- (3) alternative programs for those employees who are currently entitled to sick leave payments;

such review to also:

- (a) include details of budget implications;
- (b) address separately Management, Exempt and Bargaining Units; and
- (c) give consideration to the funding of all other unfunded employee benefits; and

Be it further resolved that the Employee and Labour Relations Committee be advised of the Audit Committee's concern regarding the City's unfunded employee benefit liability, and the rate at which this liability has grown for the Committee's attention and consideration";

On motion by Councillor Del Grande:

- (3) Council adopt a policy that the City's annual budget include the true liability of the annual employee benefit costs as an expenditure;
- (4) the City ascertain its position respecting the accrued benefit asset identified under Note 9, titled, "Employee Benefit Liabilities" to the Consolidated Financial Statements;

- (5) the Financial Statement package, whenever possible, contain a historic trend analysis dating from the year 2000 and on a go forward basis be maintained to achieve a ten year trend; and
- (6) the Financial Statement package contain a historic trend analysis dating from amalgamation on the number of employees.

(Financial Statements distributed to Members only)

**(Report No. 3, Clause No. 5)**

**4.14 2003 Financial Statements of Community Centres**

The Audit Committee had before it 2003 Financial Statements of Community Centres:

- Board of Management for Harbourfront Community Centre;
- Board of Management for the Cecil Street Community Centre; and
  
- Committee of Management for the Applegrove Community Complex.

On motion by Councillor Del Grande, the Audit Committee deferred the 2003 Financial Statements of the Harbourfront Community Centre, Cecil Street Community Centre and the Applegrove Community Complex to its July 13, 2004 meeting and requested that the Management Letters be submitted at that time.

(Letter sent to: Auditor General; c.: Board of Management for the Harbourfront Community Centre, Board of Management for the Cecil Street Community Centre, Committee of Management for the Applegrove Community Complex, Commissioner of Community and Neighbourhood Services, Chris Brillinger, Director, Community Resources – May 14, 2004)

**(Report No. 3, Clause No. 6(i))**

**4.15 2002 Audited Financial Statements of Community Centres**

The Audit Committee had before it a report (April 19, 2004) from the Chief Financial Officer and Treasurer respecting the 2002 Audited Financial Statements of the Scadding Court and Swansea Town Hall Community Centres and recommending that the financial statements appended to this report be received.

On motion by Councillor Del Grande, the Audit Committee deferred the 2002 Financial Statements of the Scadding Court and Swansea Town Hall Community Centres to its

July 13, 2004 meeting and requested that the Management Letters be submitted at that time.

(Letters sent to: Chief Financial Officer and Treasurer; c.: Auditor General, Carolyn Baird, Senior Audit Manager, Ken Colley, Manager, Financial Reporting, Executive Director, Scadding Court Community Centre, Executive Director, Swansea Town Hall Community Centre, Commissioner of Community and Neighbourhood Services, Chris Brillinger, Director, Community Resources - May 14, 2004)

**(Report No. 3, Clause No. 6(j))**

#### **4.16 Audited Financial Statements of Arenas**

The Audit Committee had before it a report (April 19, 2004) from the Chief Financial Officer and Treasurer respecting the 2002 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 deferred the 2002 Financial Statements of the Forest Hill and Ted Reeve Arenas to its July 13, 2004 meeting and requested that the Management Letters be submitted at that time.

(Letters sent to: Chief Financial Officer and Treasurer; c.: Auditor General, Carolyn Baird, Senior Audit Manager, Ken Colley, Manager, Financial Reporting Executive Director, Forest Hill Memorial Arena, Executive Director, Ted Reeve Arena, Commissioner of Economic Development, Culture and Tourism - May 14, 2004)

**(Report No. 3, Clause No.6(k))**

#### **4.17 Financial Statements of Business Improvement Areas**

The Audit Committee had before it a report (April 29, 2004) from the Chief Financial Officer and Treasurer and recommending that:

- (1) the 2002 financial statements appended to this report for Business Improvement Areas operated by Boards of Management be received; and
- (2) members of the Upper Village (York) and the Upper Village (Toronto) Business Improvement Areas be requested to ensure the preparation and audit of financial statements for all years up to December 31, 2003 is expedited and submitted to the July meeting of Audit Committee.

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On motion by Councillor Del Grande, the Audit Committee deferred the 2002 Financial Statements for the following Business Improvement Areas operated by Boards of Management, to its July 13, 2004 meeting and requested that the Management Letters be submitted at that time:

- (a) Forest Hill Village
- (b) Little Italy
- (c) Liberty Village
- (d) St. Clair Avenue West
- (e) Weston

(Letters sent to: Chief Financial Officer and Treasurer; c.: Auditor General, Carolyn Baird, Senior Audit Manager, Ken Colley, Manager, Financial Reporting, Commissioner of Economic Development, Culture and Tourism, Forest Hill Village BIA, Little Italy BIA, Liberty Village BIA, St. Clair Avenue West BIA, Weston BIA - May 14, 2004)

**(Report No. 3, Clause No. 6(l))**

#### **4.18 Consolidated Financial Statements of Toronto Atmospheric Fund for the Year Ended December 31, 2003**

The Audit Committee had before a report (May 3, 2004) from the Executive Director, Toronto Atmospheric Fund respecting Consolidated Financial Statements of Toronto Atmospheric Fund for the Year Ended December 31, 2003 and recommending that City Council receive the Auditor's Report (February 16, 2004) and the Financial Statements of the Toronto Atmospheric Fund for the year ended December 31, 2003.

On motion by Councillor Balkissoon, with Councillor Holyday in the Chair, the Audit Committee deferred this matter and requested the Executive Director of the Toronto Atmospheric Fund to submit to the Audit Committee an audit management letter, separate financial statements for the Toronto Atmospheric Fund Foundation and the CAIT Ventures Inc.

(Letters sent to: Executive Director, Toronto Atmospheric Fund; c.: Auditor General – May 14, 2004)

**(Report No. 3, Clause No. 6(n))**

#### **4.19 Information Technology Acquisition Procedures**

The Audit Committee had before it a report (April 19, 2004) from the Commissioner of Corporate Services, addressed to the Administration and Audit Committees respecting



Information Technology Acquisition Procedures and recommending that this report be received for information.

The Audit Committee also had before it a communication (May 3, 2004) from the City Clerk, Administration Committee, forwarding the Committee's action of April 29, 2004, in having received the report (April 19, 2004) from the Commissioner of Corporate Services

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

(Letters sent to: Auditor General, the Commissioner of Corporate Services; c.: Gwen Manderson, Project Manager, Service Improvement and Innovation – May 14, 2004)

**(Report No. 3, Clause No. 6(o))**

#### **4.20 Status of Community Centres Audited Financial Statements**

The Audit Committee had before it a report (May 3, 2004) from the Commissioner of Community and Neighbourhood Services respecting Status of Community Centres Audited Financial Statements and recommending that this report be received for information.

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

(Letters sent to: Auditor General; c.: Commissioner of Community and Neighbourhood Services, Chris Brillinger, Director, Community Resources – May 14, 2004)

**(Report No. 3, Clause No. 6 (h))**

The Audit Committee adjourned at                      p.m.

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Chair

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Attendance:

May 11, 2004	9:30 a.m.– 12:30 p.m.	2:00 p.m. - 5:30 p.m.
Balkissoon (Chair)	X	X
Holyday (Vice- Chair)	X	X
Del Grande	X	X
Fletcher	X	X
Stintz	X	X

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