

THE CITY OF TORONTO

Clerk's Department

Minutes of the Audit Committee

Meeting No. 5

Tuesday, July 13, 2004

The Audit Committee met on Tuesday, July 13, 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.

5.1 Status Update and Workplan - Fleet Operations Review – Phase One (Status Update)

The Audit Committee had before it a report (June 29, 2004) from the Commissioner of Corporate Services respecting Status Update and Workplan - Fleet Operations Review – Phase One (Status Update) and recommending that this report be received for information.

The Audit Committee:

On motion by Councillor Holyday:

- (1) received the report for information;

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

- (2) requested the Commissioner of Corporate Services to review the 7,500 km target, reconsider this target to include an hourly target on a quarterly basis and report back to the Audit Committee at the time she issues the next status report; and
- (3) requested the Commissioner of Corporate Services, in consultation with the Chief Financial Officer and Treasurer, to report to the P&F Committee in September 2004 on a long term strategy, starting in the 2005 budget process on the Vehicle and Equipment Replacement Reserve Fund underfunding.

(Letters sent to: Chief Financial Officer and Treasurer, Commissioner of Corporate Services; c.: Auditor General, Administrator, Policy and Finance Committee, Chris Chiaravallotti, Director Corporate Services, Fleet Services - July 15, 2004)

(Report 4, Other Items Clause 10(a))

5.2 Procurement Process Review Implementation – Status Report

The Audit Committee had before it a report (June 29, 2004) from the Chief Financial Officer and Treasurer respecting the Procurement Process Review Implementation – Status Report 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 for information.

(Letters sent to: Chief Financial Officer and Treasurer c.: Auditor General, Bill Adams, Project Manager, Procurement Process Review Implementation – July 15, 2004)

(Report 4, Other Items Clause 10(b))

5.3 Oracle Database Review – Management Response Timetable

The Audit Committee had before it a report (July 5, 2004) from the Auditor General respecting Oracle Database Review – Management Response Timetable and recommending that in accordance with previous Council directives, all City Departments, Agencies, Boards and Committees be required to respond to the Auditor General’s report entitled “Oracle Database Review – Security Controls and Other Issues”, dated December 12, 2003. Such response to be submitted to the September 2004 meeting of Audit Committee.

The Audit Committee also had before it a report (June 30, 2004) from the City Librarian respecting Response to Auditor General’s Report and recommending that the report be received for information.

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

- (1) City Council adopt the staff recommendations in the Recommendations Section of the report (July 5, 2004) from the Auditor General; and
- (2) the Commissioner of Corporate Services ensure that all self assessment audits in connection with security issues be conducted and supervised by the City’s IT Department, such assesments to be conducted in consultation and coordination with all the City’s Agencies, Boards and Commissions.

(Report 4, Clause 1)

5.4 Status of Financial Audits of Various Financial Statements – for the Year Ended December 31, 2003

The Audit Committee had before it a report (June 29, 2004) from the Auditor General respecting the Status of Financial Audits of Various Financial Statements – for the Year Ended December 31, 2003 and recommending this report be received for information.

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

(Letters sent to: Auditor General; c.: Chief Financial Officer and Treasurer, Carolyn Baird, Senior Audit Manager – July 15, 2004)

(Report 4, Other Items Clause 10(c))

5.5 Audited Financial Statements and Audit Results for the Year Ended December 31, 2003

The Audit Committee had before it Audited Financial Statements and Audit Results for the Year Ended December 31, 2003 of the following:

- Board of Directors of the Hummingbird Centre for the Performing Arts;
- Board of Management of the Toronto Zoo;
- Board of Governors of Exhibition Place;
- Canadian National Exhibition Association;
- St. Lawrence Centre for the Arts;
- Toronto Public Library Board;
- Toronto Transit Commission;
- Toronto Coach Terminal Inc.;
- Toronto Parking Authority;
- Heritage Toronto;
- Toronto Sinking Funds; and
- Toronto Trust Funds.

The following appeared before the Audit Committee:

- Roy W. Reeves, Director, Finance and Personnel, Hummingbird Centre;
- Robin Hale, Executive Director, Administrative and Site Services, Toronto Zoo; and
- Diana Brouwer, Ernst and Young, LLP.

The Audit Committee recommended that:

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

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- (1) City Council receive the Audited Financial Statements and Audit Results for the Year Ended December 31, 2003 for the following:
 - (a) Board of Directors of the Hummingbird Centre for the Performing Arts
 - (b) Board of Management of the Toronto Zoo
 - (c) Board of Governors of Exhibition Place
 - (d) Canadian National Exhibition Association
 - (e) St. Lawrence Centre for the Arts
 - (f) Toronto Public Library Board
 - (g) Toronto Transit Commission
 - (h) Toronto Coach Terminal Inc.
 - (i) Heritage Toronto;
 - (j) Toronto Sinking Funds; and
 - (k) Toronto Trust Funds.

- (2) City Council indicate its concerns to the Policy and Finance Committee on the ongoing annual deficits of the St. Lawrence Centre for the Arts and that the Chief Financial Officer and Treasurer and Chief Administrative Officer report to the Policy and Finance Committee on actions that can be taken to assist the Centre;

On motion by Councillor Holyday:

- (3) the City's Agencies, Boards and Commissions be required to provide an update to the Audit Committee of outstanding issues raised in the Management Letter, within six months after the issuance of the Management Letter;

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

- (4) City Council direct the City's Agencies, Boards and Commissions to ensure that financial statements include budget figures;

On motion by Councillor Del Grande:

- (5) the Chief Financial Officer and Treasurer report to the Audit Committee on a policy to standardize the minimum security requirements respecting the design of cheques issued by the City's Agencies, Boards and Commissions; and

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

- (6) the Auditor General meet with the City's External Auditors to incorporate management's response to Management Letters.

The Audit Committee also:

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

- (1) requested the Auditor General to report on a policy to provide regular reports to the Audit Committee on the status of fraud and related matters; and

On motion by Councillor Del Grande:

- (2) deferred the financial statements of the Toronto Parking Authority to September 23, 2004 and requested representatives of the Toronto Parking Authority to attend at that time.

(Letters sent to: Auditor General, President, Toronto Parking Authority; c.: Chief Financial Officer and Treasurer – July 15, 2004)

(Report 4, Clause 2)

5.6 Consolidated Financial Statements of Toronto Atmospheric Fund for the Year Ended December 31, 2003

The Audit Committee had before it 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.

The Audit Committee also had before it a report (June 28, 2004) from the Executive Director, Toronto Atmospheric Fund respecting Request for Information related to TAF's 2003 Financial Statements and recommending that the Committee receive the additional information provided.

Philip Jessup, Executive Director, Toronto Atmospheric Fund appeared before the Audit Committee.

On motion by Councillor Holyday, the Audit Committee recommended 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.

(Financial Statements distributed to Members only)

(Report 4, Clause 3)

5.7 Community Centres and Arenas – 2003 Audited Financial Statements

The Audit Committee had before it a report (June 29, 2004) from the Auditor General respecting Community Centres and Arenas – 2003 Audited Financial Statements and recommending that the financial statements appended to this report be received for information.

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

- (1) City Council receive the 2003 Financial Statements of the following community centres and arenas appended to the report (June 29, 2004) from the Auditor General:

Applegrove Community Complex	Cecil Street Community Centre
Central Eglinton Community Centre	519 Church Community Centre
Community Centre 55	Harbourfront Community Centre
Ralph Thornton Community Centre	Scadding Court Community Centre
Forest Hill Memorial Arena	Ted Reeve Community Arena
Eastview Neighbourhood Community Centre	

- (2) all financial statements of community centres and arenas be submitted to the Audit Committee by the deadline imposed by the Province for the filing of the City's financial statements (April 30 of each year), and that this be included as part of the performance review of the Executive Directors of the community centres and arenas.

(Report 4, Clause 4)

5.8 Toronto Police Services Board's Authority to Write-off Accounts Receivable

The Audit Committee had before it a report (June 21, 2004) from the Chief Financial Officer and Treasurer respecting Toronto Police Services Board's Authority to Write-off Accounts Receivable and recommending that this report be received for information.

On motion by Councillor Balkissoon, with Councillor Holyday in the Chair, the Audit Committee deferred this matter until September 23, 2004 and requested the Chief Financial Officer and Treasurer to review and report to the Audit Committee at that time on the policy and applicable legislation respecting the limits of Write-offs of Accounts Receivables for the Toronto Police Services Board with recommendations on any necessary amendments to the policy and/or provincial legislation.

(Letters sent to: Chief Financial Officer and Treasurer Auditor General; c.: Cam Weldon, Director, Accounting Services, Finance Department, Chair, Toronto Police Services Board – July 15, 2004)

(Report 4, Other Items Clause 10(d))

5.9 Investment Management Review of the Toronto Parking Authority and the Toronto Public Library Board

The Audit Committee had before it a report (June 28, 2004) from the Chief Financial Officer and Treasurer respecting Investment Management Review of the Toronto Parking Authority and the Toronto Public Library Board and recommending that the Toronto Parking Authority and the Toronto Library Board:

- (1) continue to manage their investments in accordance and in compliance with the City's investment policy;
- (2) provide the Chief Financial Officer and Treasurer with semi-annual updates of their investment portfolios and activities; and
- (3) notify the Chief Financial Officer & Treasurer whenever they identify an opportunity to invest \$1 million or greater for a period greater than one year so that the City's Finance Department can provide a competitive bid for the funds.

On motion by Councillor Balkissoon, with Councillor Holyday in the Chair, the Audit Committee deferred the report until September 23, 2004 and requested the Chief Financial Officer and Treasurer to report to the Audit Committee at that time on how the long term investments of the Toronto Parking Authority and the Toronto Public Library Board can be incorporated into the City's investments.

(Letters sent to: Chief Financial Officer and Treasurer; c.: Auditor General, President, Toronto Parking Authority, City Librarian, Toronto Public Library Board, Len Brittain, Director, Corporate Finance - July 15, 2004)

(Report 4, Other Items Clause 10(l))

5.10 Overtime Threshold Limits

The Audit Committee had before it a report (June 16, 2004) from the Chief Financial Officer and Treasurer respecting Overtime Threshold Limits and recommending that this report be received for information.

The Audit Committee:

On motion by Councillor Del Grande:

- (1) received the report for information;

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

- (2) requested the Chief Financial Officer and Treasurer to report to the Audit Committee on September 23, 2004 on:
 - (a) legislated requirements for a cap on overtime of hourly paid employees; and
 - (b) overtime thresholds in connection with the City's Agencies, Boards and Commissions, as previously requested.

(Letters sent to: Chief Financial Officer and Treasurer; c.: Auditor General, Ivana Zanardo, Director, Pension, Payroll and Employee Benefits – July 15, 2004)

(Report 4, Other Items Clause 10(e))

5.11 Audit Work Plan – Deferral of the Review of the City's Disaster Recovery Plan

The Audit Committee had before it a report (June 15, 2004) from the Auditor General respecting the Audit Work Plan – Deferral of the Review of the City's Disaster Recovery Plan and 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.: Jerry Shaubel, Director, Auditor General's Office, Ben Smid, Senior Audit Manager - July 15, 2004)

(Report 4, Other Items Clause 10(f))

5.12 Recording and Tracking of Blanket Purchase Order Contracts

The Audit Committee had before it a report (May 31, 2004) from the Chief Financial Officer and Treasurer respecting Recording and Tracking of Blanket Purchase Order Contracts and recommending that this report be received for information.

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

(Letters sent to: Chief Financial Officer and Treasurer; c.: Cam Weldon, Director of Accounting Services, Auditor General – July 15, 2004)

(Report 4, Other Items Clause 10(g))

5.13 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.

The Audit Committee also had before it a report (June 29, 2004) from the Commissioner, Community and Neighbourhood Services respecting Community Centres – Audit Management Letters – Scadding Court Community Centre and Swansea Town Hall and recommending that this report be received for information.

On motion by Councillor Del Grande, the Audit Committee recommended that City Council receive the 2002 Financial Statements of the Scadding Court and Swansea Town Hall Community Centres appended to the report (April 19, 2004) from the Chief Financial Officer and Treasurer.

(Report 4, Clause 5)

5.14 2002 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.

The Audit committee also had before it a report (July 5, 2004) from the Auditor General respecting Audit Management Letter for Ted Reeve Community Arena – December 31, 2002 and recommending that:

- (1) the management letter issued for the Ted Reeve Community Arena for the year ended December 31, 2002, be received for information; and
- (2) the Commissioner of Economic Development, Culture and Tourism be directed to ensure that the issues identified in the management letter are addressed and reported back to the Audit Committee by September 2004.

On motion by Councillor Del Grande, the Audit Committee recommended that City Council receive the 2002 Financial Statements of the Forest Hill Memorial Arena and the Ted Reeve Community Arena appended to the report (April 19, 2004) from the Chief Financial Officer and Treasurer.

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

- (1) received for information the management letter issued for the Ted Reeve Community Arena for the year ended December 31, 2002; and
- (2) directed the Commissioner of Economic Development, Culture and Tourism to ensure that the issues identified in the management letter are addressed and reported back to the Audit Committee by September 2004.

(Letters sent to: Commissioner of Economic Development, Culture and Tourism c.: Auditor General, Carolyn Baird, Senior Audit Manager, Ken Colley, Manager, Financial Reporting – July 15, 2004)

(Report 4, Clause 6)

5.15 Financial Statements of Business Improvement Areas

The Audit Committee had before it a report (April 29, 2004) from the Chief Financial Officer and Treasurer respecting Financial Statements of Business Improvement Areas 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.

The Audit Committee also had before it a report (July 5, 2004) from the Auditor General respecting Management Letters for Business Improvement Areas – December 31, 2002 and recommending that this report be received for information.

On motion by Councillor Del Grande, the Audit Committee recommended that City Council receive the 2002 Financial Statements for the following Business Improvement Areas operated by Boards of Management appended to the report (April 29, 2004) from the Chief Financial Officer and Treasurer:

Forest Hill Village Business Improvement Area
Little Italy Business Improvement Area
Liberty Village Business Improvement Area
St. Clair Avenue West Business Improvement Area
Weston Business Improvement Area.

(Report 4, Clause 7)

5.16 Response to 2002 Audit Management Letters for Business Improvement Areas

The Audit Committee had before it a report (June 24, 2004) from the Commissioner of Economic Development, Culture and Tourism respecting Response to 2002 Audit Management Letters for Business Improvement Areas and recommending that the report be received for information.

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

(Letters sent to: Commissioner of Economic Development, Culture and Tourism; c.: Auditor General, Winnie Li, Acting Director, Administrative and Support Services, Karen Thorne-Stone, Acting Executive Director, Economic Development – July 15, 2004)

(Report 4, Other Items Clause 10(h))

5.17 2003 Audited Financial Statements – Toronto Hydro Corporation

The Audit Committee had before it a report Communication (May 25, 2004) from the City Clerk, forwarding, for information, the report (April 26, 2004) from the Chief Financial Officer and Treasurer and the 2003 Financial Statements of the Toronto Hydro Corporation, attached Policy and Finance Committee Report 4, Clause 14, titled “2003 Annual General Meeting – Toronto Hydro Corporation”, which was adopted by City Council on May 18, 19 and 20, 2004

On motion by Councillor Holyday, the Audit Committee received this matter and requested the Chief Financial Officer and Treasurer to request from Toronto Hydro a copy of the Audit Management Letter and that the letter be submitted to the Audit Committee at its meeting of September 23, 2004.

(Letters sent to: Chief Financial Officer and Treasurer; c.: Auditor General, City Solicitor, Lorraine Searles-Kelly, Solicitor, Legal Services, Chief Administrative Officer, Len Brittain, Director, Corporate Finance Division, Finance Department – July 15, 2004)

(Report 4, Other Items Clause 10(i))

5.18 External Audit of the City of Toronto's Auditor General's Office - Request for Quotation No. 9155-04-7232

The Audit Committee had before it a joint report (June 29, 2004) from the Chief Administrative Officer and Chief Financial Officer and Treasurer respecting External Audit of the City of Toronto's Auditor General's Office - Request for Quotation No. 9155-04-7232 and recommending that:

- (1) authority be granted to enter into a contract with SF Partnership LLP, the only bid received meeting specifications, in the amount of \$5,350.00 including all charges and taxes to conduct an external audit of the City of Toronto's Auditor General's Office for the year ending December 31, 2003;
- (2) the option to renew the contract with SF Partnership LLP for two additional one-year terms in the amount of \$4,815.00 including all charges and taxes in 2005 and \$4,815.00 including all charges and taxes in 2006, under the same terms and conditions be reviewed by the Chief Administrative Officer in co-operation with the Purchasing Agent, provided the first term of the contract was performed satisfactorily, and subject to budget approval for each one-year optional period to ensure it is feasible to extend the contract;
- (3) provided that there is a favourable review, in accordance with Recommendation No. 2 the Chief Administrative Officer be delegated the authority to exercise the renewal options on the terms and conditions set out above and be authorized to instruct the Purchasing Agent to process the necessary contract;
- (4) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

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

- (1) given the limited response to Request for Quotation No. 9155-04-7232 and the unacceptable high cost contained in the only formal bid received, Request for Quotation No. 9155-04-7232 be cancelled and the Chief Administrative Officer, in consultation with the Purchasing Agent, review the mandatory specifications contained in the Request for Quotations to ensure that in any future Request to be issued the City will receive a broad range of formal responses; and
- (2) Council defer at this time the requirement for an annual audit for the year ending December 2003 of the Auditor General's Office, as contained in Chapter 169, Officials, City, Article VI, Auditor General, Section 169-30.5 of the Municipal Code and instead authorize and direct the Chief Administrative Officer to include in the future audit for the year ending December, 2004 an audit for the year ending December, 2003.

(Report 4, Clause 8)

5.19 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.

The Audit Committee also had before it a report (June 24, 2004) from the Commissioner of Corporate Services and recommending that this report be received for information.

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

(Letters sent to: Auditor General; c.: Jerry Shaubel, Director, Auditor General's Office, Commissioner of Corporate Services, John Davies, Executive Director, Corporate Information and Technology, Corporate Services – July 15, 2004)

(Report 4, Other Items Clause 10(j))

5.20 Telephone System Selection for the City of Toronto – Forensic Review

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 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.

John Beer, Vice President, KPMG Forensic Inc. appeared before the Audit Committee.

On motion by Councillor Holyday, the Audit Committee adjourned its public session to meet in camera to consider the confidential Appendix B of the report (December 12, 2003) from the Auditor General, as the subject matter of the appendix dealt with personal matters about identifiable individuals, including municipal or local board employees.

On motion by Councillor Balkissoon, the Audit Committee recommended that:

- (1) City Council receive the report (December 12, 2003) from the Auditor General; and
- (2) City Council forward the confidential Appendix B of the report to the Toronto Computer Leasing Inquiry for information and appropriate action; and
- (3) discussions pertaining to the confidential Appendix B of the report be held in camera as the appendix contains personal matters about an identifiable individual, including municipal or local board employees.

(Deferred from May 11, 2004)

(In Camera – Confidential Appendix B – Personal Information)

(Report 4, Clause 9)

5.21 Toronto Community Housing Corporation – 2003 Annual Report to Shareholder, Audited Consolidated Financial Statements, By-Law Amendments and Annual General Meeting

The Audit Committee had before it a communication (July 8, 2004) from the Policy and Finance Committee, respecting Toronto Community Housing Corporation – 2003 Annual Report to Shareholder, Audited Consolidated Financial Statements, By-Law Amendments and Annual General Meeting forwarding a copy of the report (June 25, 2004) from the Chief Administrative Officer to the Audit Committee for information.

On motion by Councillor Del Grande, the Audit Committee recommended that City Council refer the report (June 24, 2004) from the Chief Administrative Officer to the Audit Committee for consideration.

(Letter sent to: City Council – July 15, 2004))

(Report 4, Other Items Clause 10(k)) (Policy and Finance Committee Report 6, Clause 11)

The Audit Committee adjourned at 4:10 p.m.

Chair

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Attendance:

July 13, 2004	9:30 a.m. – 11: 20 a.m.	2:00 p.m. - 3:45 p.m.	In Camera 3:45 p.m. - 4:05 p.m	4:05 p.m. – 4:10 p.m..
Balkissoon (Chair)	X	X	X	X
Holyday (Vice- Chair)	X		X	X
Del Grande	X	X	X	X
Fletcher				
Stintz	X	X		

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