

TORONTO STAFF REPORT

March 22, 2005

To: Audit Committee
From: Auditor General
Subject: Terms of Reference – Audit Project

Purpose:

The purpose of this report is to provide the Audit Committee with the terms of reference for the Maintenance and Administrative Controls Review – Facilities and Real Estate Division, included in the 2005 Audit Work Plan.

Financial Implications and Impact Statement:

There are no financial implications resulting from the receipt of this report.

Recommendations:

It is recommended that this report be received for information.

Background:

Each year the Auditor General's Office provides a work plan to the Audit Committee summarizing audit projects to be undertaken. The audit process requires the development of a terms of reference for each project which provides background, objectives and reporting timeframes for respective assignments.

Comments:

The terms of reference for the Maintenance and Administrative Controls Review – Facilities and Real Estate Division is provided as an appendix to this report. It should be noted that these terms of reference have been forwarded for information purposes to senior management of the respective program area.

Conclusion:

Terms of reference for audit projects are important in providing direction and focus for the work to be undertaken. They also specify the parameters, scope and objectives of the review, as well as the expected reporting date. It is important to understand that the audit process is not specifically restricted to those areas contained in the terms of reference.

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List of Attachments:

Appendix 1: Maintenance and Administrative Controls Review – Facilities and Real Estate
Division

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AUDITOR GENERAL'S OFFICE
TERMS OF REFERENCE

Department/Board: Corporate Services Department
Division: Facilities and Real Estate Division
Project Name: Maintenance and Administrative Controls Review – Facilities and Real Estate Division
Year of Audit: 2005

A. Introduction/Background

The Auditor General's 2005 Work Plan includes a review of building maintenance operations and administrative controls in the Facilities and Real Estate Division, Corporate Services Department. The Facilities and Real Estate Division is responsible for maintaining Corporate City buildings with common purpose office space (Metro Hall, City Hall, and Civic Centres) and non-program speciality buildings. Other City departments (Works and Emergency Services, Economic Development, Culture and Tourism and Community and Neighbourhood Services) manage buildings and facilities dedicated to program delivery. The Facilities and Real Estate Division provide services to other departments and recovers costs relating to building operations, including caretaking, security and maintenance.

B. Financial/Operational Highlights

Although we were unable to determine actual building maintenance costs, management estimated total maintenance costs for City-owned buildings to be \$41 million. In total, there are 1,417 City-owned buildings managed by City departments (excluding the City's Agencies, Boards and Commissions). The Facilities and Real Estate Division is directly responsible for maintaining only 272 City buildings which represents 19 percent of the total building portfolio and 35 percent of the total square footage. However, due to service level agreements with other departments, the Facilities and Real Estate Division actually performs building maintenance services for 62 percent of City-owned buildings. The balance of other City-owned buildings are maintained by program areas in other departments such as Homes for the Aged and Shelter, Housing and Support.

C. Key Financial/Operational Issues and Controls

In November 2004, City Council approved maintenance standards for use in all City facilities, including regulatory and environmental inspections and preventive maintenance. The compliance with the standards is the responsibility of all program areas that have landlord responsibility.

The City's Strategic Plan states that the City should "invest in state of good repair to maintain existing City infrastructure". The Facilities and Real Estate Division's 2005 capital budget (\$34 million) provides funding for maintaining City facilities in a state of good repair, e.g., structural maintenance and re-roofing. Other City departments submit their own capital budgets for City buildings for which they are responsible. Adequate funding for state of good repair is necessary to ensure safe operating conditions for users, protect asset values and avoid high future maintenance costs.

D. Audit Objectives and Scope

The objectives of this review are to:

- assess whether maintenance and cleaning costs for City-owned buildings are being managed economically, efficiently and in compliance with appropriate rules, laws, policies and other legislative requirements; and
- identify opportunities to improve internal administrative controls and areas for cost savings relating to building maintenance and cleaning operations.

The review will include, but not be limited to, an assessment of the following areas:

- preventive maintenance program for City-owned buildings;
- compliance with facilities maintenance and cleaning standards;
- state of good repair in City-owned buildings;
- monitoring of compliance with contract terms and conditions; and
- internal controls over purchases, payments and expenditures.

Our review will focus on maintenance and cleaning operating expenditures for buildings managed by the Facilities and Real Estate Division. However, the scope of our review will also include all City-owned buildings operated by City departments (excluding the City's Agencies, Boards and Commissions). Our review will cover the period from January 1, 2004 to March 31, 2005.

The audit methodology will include a review of policies and procedures, interviews with relevant staff, site visits, a survey of program areas with landlord responsibility, examination of documents and records, review of relevant Audit reports and Council and Standing Committee minutes, the analysis of data and any other procedures deemed appropriate.

E. Project Time Frame

Draft report to Client	September 30, 2005
Audit Committee Deadline	October 19, 2005
Audit Committee Meeting	November 2, 2005