



**AUDIT COMMITTEE
DECISION DOCUMENT
MEETING 2**

Report 1 to be considered by City Council on June 27, 28 and 29, 2006.

Date of Meeting: June 15 2006
Time: 9:30 a.m.
Location: Committee Room 2
City Hall
100 Queen Street West
Toronto, Ontario

Enquiry: Christine Archibald
Committee Administrator
416-392-7033
teycc@toronto.ca

(Minutes are distributed to Members of Committee only, and are available on the City of Toronto's Website at www.toronto.ca/legdocs/2005/minutes.htm)

The Decision Document is for preliminary reference purposes only. Please refer to the Committee's Report to City Council or to the minutes for the official record.

How to Read the Decision Document:

- *recommendations of the Committee to City Council are in bold type after the item heading;*
 - *action taken by the Committee on its own authority does not require Council's approval – it is reported to Council for information, and is listed in the decision document in bold type under the heading "Action taken by the Committee"; and*
- Declarations of Interest, if any, appear at the end of an item*

1. The Audit of the Auditor – Results of the External Quality Assurance Review of the Auditor General's Office

Report 2, Other Items Clause 11

Action taken by the Committee

The Audit Committee received the report (June 1, 2006) from the Auditor General.

Report (June 1, 2006) from the Auditor General providing the Audit Committee with information related to the Auditor General's external quality assurance review.

Recommendation:

It is recommended that this report be received for information.

2. External Audit of the City's Auditor General's Office

Report 2, Clause 1

The Audit Committee recommends that City Council receive the report (May 30, 2006) from the Director, Internal Audit.

Report (May 30, 2006) from the Director, Internal Audit.

Recommendation:

It is recommended that this report be received and forwarded to Council for information.

3. City of Toronto Audit Results – Year Ended December 31, 2005

Report 2, Clause 2

The Audit Committee recommends that City Council:

- (1) receive the report (May 30, 2006) from Ernst & Young, Chartered Accountants for information; and**
- (2) request that appropriate City staff give priority to ensuring that outstanding Management Letters issues are given the appropriate attention.**

Submission (May 30, 2006) from Martha Tory, Diana Brouwer and Kathi Lavoie, Ernst & Young presenting the results of the audit of the financial statements of the City of Toronto.

(Copies of the Audit Results are distributed to Members of the Audit Committee only).

4. 2005 Audited Consolidated Financial Statements

Report 2, Clause 3

The Audit Committee recommends that City Council:

- (1) adopt the staff recommendations in the Recommendations Section of the report (May 31, 2006) from the Deputy City Manager and Chief Financial Officer; and**
- (2) request the Deputy City Manager and Chief Financial Officer to:**
 - (a) ensure that future Consolidated Financial Statements provide supplementary information reflecting the actual surplus/deficit used in the budget reporting information; and**
 - (b) report to the Audit Committee with a financial impact report whenever a report on land conversion is prepared.**

Action taken by the Committee

The Audit Committee requested the Budget Advisory Committee to consider setting quantitative targets for the City's Unions, to continue the savings and improvement programs for the next budget process.

Report (May 31, 2006) from the Deputy City Manager and Chief Financial Officer.

Recommendation:

It is recommended that the 2005 Consolidated Financial Statements be approved.

(Audited Financial Statements are distributed to Members of the Audit Committee only)

- 5. Financial Statements and Audit Results for the Year Ended December 31, 2005 from the following Agencies, Boards and Commissions.**

Report 2, Clause 4

The Audit Committee recommends that City Council:

- (1) receive the 2005 Financial Statements and related audit management letters of the following Agencies, Boards and Commissions submitted under separate cover:**
 - Toronto Atmospheric Fund**
 - Exhibition Place**
 - Toronto Public Library**
 - Toronto Zoo**
 - Toronto Transit Commission**
 - Yonge-Dundas Square; and**
- (2) request the Executive Director, Toronto Atmospheric Fund to report to the Audit Committee on its organizational structure as it relates to CAIT Ventures Inc.**

- 5(a)** Communications (April 28 and May 2, 2006) from Sid Markowski, Toronto Atmospheric Fund submitting, respectively, the Audited Financial Statements and the Audit Management Letter for the Toronto Atmospheric Fund.
- 5(b)** Report (May 11, 2006) from Dianne Young, General Manager and CEO, Exhibition Place

Recommendations:

It is recommended that:

- (1) City Council receive for information the Audited Financial Statements pertaining to the operations of Exhibition Place for the year ended December 31, 2005; and
 - (2) the appropriate Exhibition Place and City Officials be authorized and directed to take the necessary action to give effect thereto.
- 5(c)** Communication (May 16, 2006) from Josephine Bryant, City Librarian, Toronto Public Library submitting the Audited Financial Statements and Audit Results, which includes the Management Letter and Response, for the year ended December 31, 2005.
- 5(d)** Communication (May 18, 2006) from the Secretary, Toronto Zoo submitting the 2005 Financial Statements of the Board of Management of the Toronto Zoo to the Audit Committee for information.
- 5(e)** Communication (May 18, 2006) from the Secretary, Toronto Zoo submitting the 2005 Audit Results.

Recommendation:

It is recommended that the report prepared by Ernst & Young be received for information.

- 5(f)** Two communications (May 18, 2006) from Vincent Rodo, General Secretary, Toronto Transit Commission submitting the Audit Results for the Year Ended December 31, 2005, and the Consolidated Financial Statements for the Year Ended December 31, 2005 to the Audit Committee for its information.
- 5(g)** Communication (May 29, 2006) from Taylor Raths, General Manager, Yonge-Dundas Square Board of Management submitting the 2005 Audited Financial Statements for Yonge-Dundas Square
- 6. Community Centres – 2005 Audited Financial Statements and Summary Management Letter**

Report 2, Clause 5

The Audit Committee recommends that City Council receive the 2005 Financial Statements and related Management Letters of the following Community Centres and Arenas as attached to the report (May 31, 2006) from the Auditor General, and submitted under separate cover:

**Applegrove Community Complex
Cecil Community Centre
Central Eglinton Community Centre
519 Church Street Community Centre
Eastview Neighbourhood Community Centre
Harbourfront Community Centre
Ralph Thornton Community Centre
Scadding Court Community Centre
Swansea Town Hall Community Centre**

Report (May 31, 2006) from the Auditor General.

Recommendations:

It is recommended that this report be received for information.

Note: Financial Statements of the following Community Centres are distributed to Members of the Audit Committee only:

**Applegrove Community Complex
Cecil Community Centre
Central Eglinton Community Centre
519 Church Street Community Centre
Eastview Neighbourhood Community Centre
Harbourfront Community Centre
Ralph Thornton Community Centre
Scadding Court Community Centre
Swansea Town Hall Community Centre**

7. Boards of Management - Arenas – 2005 Audited Financial Statements and Summary Management Letter

Report 2, Clause 6

The Audit Committee recommends that City Council receive the 2005 Financial Statements and related Management Letters of the following Boards of Management - Arenas as

attached to the report (May 31, 2006) from the Auditor General, and submitted under separate cover:

**Forest Hill Memorial Arena
George Bell Arena
Leaside Memorial Community Gardens Arena
McCormick Playground Arena
Moss Park Arena
North Toronto Memorial Arena
Ted Reeve Community Arena
William H. Bolton Arena**

Report (May 31, 2006) from the Auditor General.

Recommendations:

It is recommended that this report be received for information.

Note: Financial Statements of the following community Arenas are distributed to Members of the Audit Committee only).

**Forest Hill Memorial Arena
George Bell Arena
Leaside Memorial Community Gardens Arena
McCormick Playground Arena
Moss Park Arena
North Toronto Memorial Arena
Ted Reeve Community Arena
William H. Bolton Arena**

8. 2005 Financial Statements of Business Improvement Areas

Report 2, Clause 7

The Audit Committee recommends that City Council receive the 2005 Financial Statements and related audit management letters of the following Business Improvement Areas, as attached to the report (May 31, 2006) from the Treasurer and General Manager, Economic Development, Culture and Tourism and submitted under separate cover:

Bloorcourt Village	Harbord Street
Bloor West Village	Kennedy Road
Bloor-Yorkville	Kingsway
Dovercourt Village	Lakeshore Village
Downtown Yonge	Liberty Village
Eglinton Way	Mimico by the Lake

**Forest Hill Village
Riverside
Roncesvalles Village
St. Clair Avenue West
St. Clair Gardens
St. Lawrence Neighbourhood**

**Old Cabbagetown
The Danforth
Upper Village (Toronto)
Upper Village (York)
Village of Islington
Yonge-Lawrence Village**

Report (May 31, 2006) from the Treasurer and General Manager, Economic Development, Culture and Tourism.

Recommendation:

It is recommended that the 2005 audited financial statements and related management letters appended to this report for Business Improvement Areas operated by Boards of Management be received.

Note: Financial Statements of the following Business Improvement Areas are distributed to Members of the Audit Committee only:

**Bloorcourt Village
Bloor West Village
Bloor-Yorkville
Dovercourt Village
Downtown Yonge
Eglinton Way
Forest Hill Village
Riverside
Roncesvalles Village
St. Clair Avenue West
St. Clair Gardens
St. Lawrence Neighbourhood**

**Harbord Street
Kennedy Road
Kingsway
Lakeshore Village
Liberty Village
Mimico by the Lake
Old Cabbagetown
The Danforth
Upper Village (Toronto)
Upper Village (York)
Village of Islington
Yonge-Lawrence Village**

9. Status of Outstanding Financial Audits of Various Financial Statements for the Year Ended December 31, 2005

Report 2, Other Items Clause 11

Action taken by the Committee

The Audit Committee received the report (May 31, 2006) from the Auditor General.

Report (May 31, 2006) from the Auditor General.

Recommendation:

It is recommended that this report be received for information.

10. Outstanding Audit Recommendations - Status Report

Report 2, Clause 8

The Audit Committee recommends that City Council receive the report (June 1, 2006) from the Auditor General (noting that Appendices A, C and E are submitted under separate cover), and that discussions relating to Appendices B and D of the staff report, submitted to Members of Council under confidential cover, be held in-camera as they relate to the security of the property of the municipality or local board; Litigation or Potential Litigation; Solicitor-Client Privilege; and a matter in respect of which a council, board, committee or other body has authorized a meeting to be closed under another Act)

Report (June 1, 2006) from the Auditor General providing City Council with information on the status of the implementation of audit recommendations contained in various reports issued by the Auditor General.

Recommendation:

It is recommended that this report be received for information.

**(In-Camera – Appendices B and D of the staff report only:
The security of the property of the municipality or local board;
Litigation or Potential Litigation;
Solicitor-Client Privilege;
A matter in respect of which a council, board, committee or other body has authorized a meeting to be closed under another Act)**

(Appendices A, B, C, D and E are distributed to Members of the Audit Committee only)

11. Resident Fees and Trust Funds Review – Homes for the Aged Division

Report 2, Clause 9

The Audit Committee recommends that City Council adopt the staff recommendations in the Recommendations Section of the report (March 8, 2006) from the Auditor General.

Report (March 8, 2006) from the Auditor General.

Recommendations:

It is recommended that:

- (1) the following recommendations in the attached Auditor General's report entitled "Resident Fees and Trust Funds Review – Homes for the Aged Division" (March 8, 2006) be adopted:
- "1. The General Manager, Homes for the Aged Division, enhance the Division's operational reviews by:
 - (a) rescheduling delayed operational reviews when practically possible in order to ensure that the reviews, whether full or partial, are conducted within a three-year period; and
 - (b) requiring the homes to provide a clear implementation plan with specific timelines and responsibility for addressing the recommendations arising from the Division's operational reviews.
 2. The General Manager, Homes for the Aged Division, revise the process and banking form used for recording cash withdrawals from resident trust funds to include withdrawn amounts written in full and ensuring any alterations are initialled by the resident.
 3. The General Manager, Homes for the Aged Division, ensure that all resident funds held in temporary bank accounts are recorded in the Homes for the Aged Trust Funds' general ledger on a timely basis.
 4. The General Manager, Homes for the Aged Division, in consultation with the City Treasurer, ensure that all interest earned on residents' funds is credited to the residents' trust accounts.
 5. The General Manager, Homes for the Aged Division:
 - (a) implement verification procedures to ensure that payments for additional services authorized by residents such as hairdressing and tuck shop purchases are made at the proper amounts and for goods and services received by the residents; and
 - (b) take appropriate steps to determine the amount of overcharges for hairdressing services, identify the residents affected, and reimburse them accordingly.
 6. The General Manager, Homes for the Aged Division, enhance the Division's policies and procedures by requiring that reduced basic accommodation rates entered in the Resident Financial Management System be reviewed for accuracy by someone independent of the input function and evidence of such review be documented in writing.

7. The General Manager, Homes for the Aged Division, evaluate the feasibility of enhancing the Resident Financial Management System in order to facilitate:
 - (a) uploading of management reports into other electronic format for further analysis;
 - (b) reporting of statistical information such as resident days; and
 - (c) simplification of the quarterly statements issued to residents by including only data that is relevant to the resident.”

(2) this report be forwarded to the Community Services Committee for information.

12. Management of City Information Technology Assets – Update

Report 2, Other Items Clause 11

Action taken by the Committee

The Audit Committee received the report (May 23, 2006) from the Chief Corporate Officer.

Report (May 23, 2006) from the Chief Corporate Officer

Recommendations:

It is recommended that this report be received for information.

- 12(a)** Clause 1 of Report 2 of the Audit Committee, titled “Management of City Information Technology Assets” which was adopted by City Council on April 25, 26 and 27, 2006.

(This clause is distributed to Members of the Audit Committee only)

13. Recovery of Social Assistance Inactive Overpayments – Toronto Social Services (June 2005)

Report 2, Other Items Clause 11

Action taken by the Committee

The Audit Committee received the report (May 24, 2006) from the Deputy City Manager.

- 13(a)** Report (May 24, 2006) from the Deputy City Manager providing a status update on the progress to date, in implementing the recommendations contained in the Auditor

General's review of the Recovery of Social Assistance Inactive Overpayments – Toronto Social Services (June 2005).

Recommendations:

It is recommended that this report be received for information.

- 13(b)** Communication (February 17, 2006) from the City Clerk advising that City Council, on February 14, 2006, forwarded a copy of Clause 3a of Report 1 of the Community Services Committee titled "Proposals for Implementing Toronto Social Services' Response to the Auditor General's Report on Recovery of Social Assistance Overpayments", to the Audit Committee for information.
- 13(c)** Clause 2 of Report 4 of the Audit Committee titled "Recovery of Social Assistance Overpayments, Toronto Social Services" which was adopted by City Council on December 5, 6 and 7, 2005.

(This clause is distributed to Members of the Audit Committee only)

14. Fleet Operations Review

Report 2, Other Items Clause 11

Action taken by the Committee

The Audit Committee received the following:

- (1) report (May 8, 2006) from the Director, Internal Audit;**
- (2) communication (May 3, 2006) from the City Librarian; and**
- (3) report (April 25, 2006) from Dianne Young, General Manager and CEO, Exhibition Place.**

14(a). Fleet Operations – Use of Private Vehicle Repair Shops without a Contract

Report (May 8, 2006) from the Director, Internal Audit responding to a request for additional information relating to expenditures incurred by Fleet Services on work performed by private vehicle repair shops without a contract.

Recommendations:

It is recommended that this report be received for information.

14(b). Fleet Operations Review – Response from the Toronto Public Library

Communication (May 3, 2006) from the City Librarian

Recommendations:

It is recommended that the “Fleet Operations Review – Toronto Public Library Management Response” report be received for information.

14(c). Fleet Operations Review – Response from Exhibition Place

Report (April 25, 2006) from Dianne Young, General Manager and CEO, Exhibition Place providing a response to City Council’s Recommendations.

14(d). Clause 1 of Report 3 of the Audit Committee, titled “Fleet Operation Review – Phase Two” which was adopted by City Council on July 19, 20, 21 and 26, 2005.

(This clause is distributed to Members of the Audit Committee only)

15. Auditor General’s Proposed Participation in the International Program for Improved Governance and Accountability in South Africa

Report 2, Clause 10

The Audit Committee recommends that City Council receive the report (June 1, 2006) from the Auditor General.

Report (June 1, 2006) from the Auditor General providing City Council with an update on the International Program for Improved Governance and Accountability in South Africa – a partnership initiative involving the governments of South Africa, Canada, the Province of Ontario, the City of Toronto, the Canadian Comprehensive Auditing Foundation, the World Bank and the Institute of Internal Auditors.

Recommendation:

It is recommended that this report be received for information.

16. Terms of Reference – Audit Project

Report 2, Other Items Clause 11

Action taken by the Committee

The Audit Committee received the report (April 27, 2006) from the Auditor General.

Report (April 27, 2006) from the Auditor General providing the Audit Committee with the terms of reference for the Rental of City-owned Property - Facilities and Real Estate and Parks, Forestry and Recreation project included in the 2006 Audit Work Plan.

Recommendation:

It is recommended that this report be received for information.

17. Disaster Recovery Plan for Capital Markets Section, Corporate Finance Division

Report 2, Other Items Clause 11

Action taken by the Committee

The Audit Committee received the report (June 1, 2006) from the Deputy City Manager and Chief Financial Officer.

Report (June 1, 2006) from the Deputy City Manager and Chief Financial Officer providing an update and progress report addressing the issue raised and the recommendation contained in the Auditor General's Report "Treasury Services Review – Corporate Finance Division, Finance Department, dated March 1, 2005" concerning a disaster recovery plan.

Recommendation:

It is recommended that this report be received for information.

18. Accounting for Actual Costs of Resources Related to Capital Projects

Report 2, Other Items Clause 11

Action taken by the Committee

The Audit Committee received the report (June 1, 2006) from the Deputy City Manager and Chief Financial Officer.

Report (June 1, 2006) from the Deputy City Manager and Chief Financial Officer reporting on the accounting of salary and benefit expenses for capital projects.

Recommendation:

It is recommended that this report be received for information.