

## Audit Committee

<b>Meeting No.</b>	10	<b>Contact</b>	Rosemary MacKenzie, Council Administrator
<b>Meeting Date</b>	Monday, March 2, 2009	<b>Phone</b>	416-392-8021
<b>Start Time</b>	9:30 AM	<b>E-mail</b>	rmacken@toronto.ca
<b>Location</b>	Committee Room 1, City Hall	<b>Chair</b>	Councillor Doug Holyday

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*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 appear after the item heading.*
- *Other action taken by the Committee on its own authority which does not require Council's approval, is listed in the decision document under the heading "Decision Advice and Other Information".*
- *Declarations of Interest, if any, appear at the end of an item.*

*Minutes Confirmed – Meeting of November 4, 2008.*

AU10.1	ACTION	Adopted		Ward: All
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### **Election of Chair and Vice-Chair, Audit Committee**

#### **Decision Advice and Other Information**

The Audit Committee elected Councillor Doug Holyday as its Chair, and Councillor Chin Lee as its Vice Chair, for a term of office ending November 30, 2010.

#### **Origin**

(January 30, 2009) Letter from the City Clerk

## Summary

City Council on January 27 and 28, 2009, appointed the following members-at-large to the Audit Committee for a term of office starting on January 28, 2009, and ending on November 30, 2010, and until successors are appointed:

Councillor Mike Del Grande  
 Councillor Rob Ford  
 Councillor Doug Holyday  
 Councillor Chin Lee  
 Councillor John Parker  
 Councillor Anthony Perruzza

(The Audit Committee elects its Chair from its Members)

## Background Information

Letter (January 30, 2009) from the City Clerk regarding the Audit Committee membership (<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-18954.pdf>)

AU10.2	ACTION	Amended		Ward: All
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## 2008 Annual Report – Fraud and Waste Hotline

### Committee Recommendations

The Audit Committee recommends that:

1. The City Manager direct management staff to regularly review and evaluate the adequacy of internal controls within their area of responsibility. Where appropriate, action be taken to strengthen controls, with a view to preventing and detecting instances of fraud and other wrongdoing.

### Decision Advice and Other Information

The Audit Committee:

1. requested the City Manager to report to the Audit Committee:
  - a. on the policy changes required in order to allow for recoveries made as a result of investigations by the Auditor General to be allocated to a general reserve fund, instead of being returned to the subject division where the losses occurred; and
  - b. with policy guidelines respecting termination of employees due to integrity issues, such as the ones described in the 2008 Fraud and Waste Hotline report; and
2. requested the Auditor General to consider reporting to the Audit Committee:

- a. for its next meeting, on incidents, by division, agency, board or commission, which have substantiated complaints; and
- b. with any follow-up information respecting the Manulife Financial issues.

The Audit Committee met in closed session to consider this Item as it relates to:

1. personal matters about identifiable individuals, including municipal or local board employees;
2. labour relations and employee negotiations; and
3. litigation or potential litigation affecting the municipality or local board.

### **Origin**

(January 15, 2009) Report from the Auditor General

### **Summary**

In June 2000, Audit Committee requested that the Auditor General submit an annual report on the status of fraud and related matters. This report represents the Auditor General's eighth annual report on the activities of the Fraud and Waste Hotline Program for the period of January 1, 2008 to December 31, 2008.

Managing the risk of fraud or other wrongdoing must be a continuous and collective effort involving all levels of staff. The primary responsibility for maintaining appropriate internal controls to prevent and detect wrongdoing remains with divisional management.

The risk of fraud and wrongdoing is an inherent part of conducting business in all organizations including the public sector.

Often fundamental and basic internal controls that help reduce the risk of wrongdoing are overlooked when controls are not regularly reviewed. Inadequate internal controls are a primary contributing factor to the occurrence of fraud while the lack of management review and the override of existing controls are also factors.

Corrective controls, such as improved policies and procedures, are key to remedying problems that are discovered ensuring that future wrongdoing is better prevented and detected, especially in areas subject to greater levels of risk.

In 2008, based on our review of complaints, a number of substantiated complaints may have been mitigated through the active application of internal controls, policies and procedures. In these cases, basic controls were disregarded and their effectiveness not actively monitored. The recommendation made in this report will re-emphasize management's responsibility to regularly review and re-evaluate internal controls.

### **Background Information**

2008 Annual Report - Fraud and Waste Hotline - staff report (January 15, 2009) from the Auditor General

<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19077.pdf>

Appendix 1 - 2008 Annual Report - Fraud and Waste Hotline, Auditor General's Office  
<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19078.pdf>

### Speakers

(March 2, 2009) Councillor Frances Nunziata

(March 2, 2009) Councillor Michael Walker

AU10.3	ACTION	Received		Ward: All
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## Auditor General's Office – Benefits to the City of Toronto - Annual Report

### Decision Advice and Other Information

The Audit Committee:

1. authorized the Auditor General to report to the Audit Committee in the event he determines that additional Audit staff are required to properly support his Office; and
2. received for information, the report (January 19, 2009) from the Auditor General.

### Origin

(January 19, 2009) Report from the Auditor General

### Summary

This report responds to a request from the Audit Committee that the Auditor General “provide the value added of his department by identifying:

1. actual dollar savings to the City;
2. potential savings to the City of Toronto;
3. at risk dollars to the City of Toronto; and
4. for non-identifiable dollar activities, the impact of the audit review on those items.”

At the request of the Audit Committee, attempts have been made to identify the extent of the quantifiable financial benefits which have resulted from the work conducted by the Auditor General's Office.

While certain reports have resulted in tangible cost savings, the more important benefits provided relate to the avoidance of future costs, as well as the protection of City assets. Nevertheless, tangible annual cost savings have occurred, or will occur, as a result of the work conducted by the Auditor General. Over the five-year period commencing January 1, 2004, the estimated potential savings to the City are in the range of \$91 million compared to a cumulative audit expenditure of \$16 million. In simple terms, for every \$1 invested in the audit process the return on this investment has been \$5.60. Many of the estimated cost savings are ongoing and occur on an annual basis.

## Background Information

Auditor General's Office - Benefits to the City of Toronto, Annual Report - staff report (January 19, 2009) from the Auditor General

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19086.pdf>)

Appendix 1 - Auditor General's Office - Benefits to the City of Toronto

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19087.pdf>)

AU10.4	ACTION	Adopted		Ward: All
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## Review of Management and Oversight of the Integrated Business Management System (IBMS)

### Committee Recommendations

The Audit Committee recommends that:

1. The City Manager in consultation with the Chief Information Officer give consideration to the establishment of an IBMS governance model which provides for senior management approval and prioritization of all IBMS related projects. The governance model follow the process recently established in relation to the development of SAP projects.
2. The City Manager in consultation with the Chief Information Officer require that divisions identify business risks relating to the IBMS Information Technology System. The Chief Information Officer review all such risks and ensure strategies and processes are in place to address all such risks.
3. The City Manager in consultation with the Chief Information Officer and divisions develop IBMS performance measures. Such measures be used to monitor ongoing performance. Where performance does not meet such measures, corrective action be taken.
4. The City Manager and Chief Information Officer as part of the IBMS governance process give priority to the development of IBMS business continuity plans. Such plans should include disaster and recovery planning.
5. The City Manager in consultation with the Chief Information Officer develop and formalize service level agreements for information technology services provided to City Divisions by the Information and Technology Division.
6. The City Manager in consultation with the Chief Information Officer review current levels of training available to IBMS users, and solicit input from divisional users in relation to training effectiveness. Deficiencies in regard to training identified by users be appropriately addressed.
7. The City Manager in consultation with the Chief Information Officer develop and implement a change management protocol for IBMS. Such a protocol take into account

the SAP change management protocol.

8. The City Manager in consultation with the Chief Information Officer develop security plans, standards and related staff responsibilities for managing and overseeing IBMS security.
9. The City Manager in consultation with the Chief Information Officer be required to conduct periodic reviews of current IBMS user security to ensure access is compatible with user roles. Such review should also include an analysis of the last date of use. Dormant users should be eliminated from system access.
10. The Chief Information Officer develop formal written procedures for granting, changing or removing IBMS user access.
11. The City Manager and Chief Information Officer develop as a priority an electronic interface between IBMS and the City's SAP Financial System. Such an interface would reduce the requirement for manual analysis and processing.
12. The City Manager in consultation with the Chief Information Officer and City Clerk review the record retention policy for all IBMS related records. Such a review include the establishment of policies and procedures for archiving IBMS records.
13. The Chief Information Officer obtain a copy of the System source code for the current release of the System software and ensure future releases are accompanied with System software under the terms of the agreement.
14. The City Manager conduct a review of related System users in the City and its Agencies, Boards and Commissions and update the existing software maintenance contract as required.
15. The City Manager ensure staff from business units perform the procedure for revising service fees maintained in IBMS and that the process be appropriately documented.

## **Origin**

(January 16, 2009) Report from the Auditor General

## **Summary**

The objective of this audit was to determine whether the City's management and oversight of the Integrated Business Management System (IBMS) ensures the reliability, integrity and confidentiality of information produced and maintained by the system.

For IBMS to serve the City efficiently and effectively improvements in management and oversight are required. The establishment of an IBMS information technology governance structure will go along way in helping to coordinate IBMS related decision-making and change management.

Implementation of a long range strategic plan, performance measures and a business continuity plan will also ensure coordinated growth and development for system users and ensure reliable

service to IBMS user divisions. There are also opportunities for improvement relating to user training, process for making changes to the system, security management and administration of software licences.

Although recommendations in this report focus on improving existing controls and administration of IBMS related resources the recommendations may be relevant to information technology systems throughout the City and its Agencies, Boards, Commissions and Corporations and should be reviewed, evaluated and implemented as deemed appropriate.

### **Background Information**

Review of Management and Oversight of the Integrated Business Management System (IBMS), staff report (January 16, 2009) from the Auditor General  
(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19132.pdf>)

Appendix 1- Review of Management and Oversight of the Integrated Business Management System (IBMS)

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19133.pdf>)

Appendix 2 - Management's Response to the Auditor General's Review (IBMS)

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19134.pdf>)

AU10.5	Information	Received		
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### **Fleet Review – Toronto Police Service**

#### **Decision Advice and Other Information**

The Audit Committee received for information, the report (January 5, 2009) from the Acting Chair, Toronto Police Services Board.

#### **Origin**

(January 5, 2009) Report from the Acting Chair, Toronto Police Services Board

#### **Summary**

The purpose of this report is to provide the Audit Committee with the Auditor General's report entitled "Fleet Review – Toronto Police Service."

#### **Background Information**

Report (January 5, 2009) from the Acting Chair, TPSB, including Appendix A - Extract from TPSB Minutes Nov 20/08 meeting; Appendix 1 - "Fleet Review - Toronto Police Service" (Sept 26/08) by Auditor General's Office; and Appendix 2 - Mgmt Response  
(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-18242.pdf>)

AU10.6	Information	Received		Ward: All
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### **Implementation of Recommendations Re: 2007 Ernst & Young's Investment Compliance Audit and the Auditor General's Treasury Management Review**

#### **Decision Advice and Other Information**

The Audit Committee received for information, the report (February 16, 2009) from the Acting Deputy City Manager and Chief Financial Officer.

#### **Origin**

(February 16, 2009) Report from the Acting Deputy City Manager and Chief Financial Officer

#### **Summary**

The purpose of this report is to outline the changes in the City's revised Investment Policy that respond to recommendations contained in the annual Investment Policy Compliance Report 2007 from Ernst & Young LLP and the Treasury Management Report issued by the Auditor General.

#### **Background Information**

Implementation of Recommendations, 2007 Ernst & Young's Investment Compliance Audit and the Auditor General's Treasury Management Review, report (February 16/09) from the Acting DCM and CFO, and Appendix A - "Implementation of Audit Recommendations" (<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19120.pdf>)

AU10.7	Information	Received		Ward: All
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### **Audits for Toronto Police Services Board Included in the Auditor General's 2009 Work Plan**

#### **Decision Advice and Other Information**

The Audit Committee received for information, the report (February 5, 2009) from the Auditor General.

#### **Origin**

(February 5, 2009) Report from the Auditor General

#### **Summary**

The purpose of this report is to advise Audit Committee of the audit work to be conducted at Toronto Police Services by the Auditor General in 2009. In accordance with the *City of Toronto Act*, the Auditor General's mandate does not extend to the Toronto Police Services. The Auditor General is able to conduct audit work at the Toronto Police Service only at the



request of the Toronto Police Services Board. This work has been requested by the Toronto Police Services Board.

The two projects relate to a follow-up of previously issued reports on:

- “The Auditor General’s Follow-up Review on the October 1999 Report Entitled Review of the Investigation of Sexual Assaults – Toronto Police Service” submitted to the Toronto Police Services Board in February 2005.
- “Review of Police Training – Opportunities for Improvement” submitted to the Toronto Police Services Board in January 2007.

The Auditor General advised the Toronto Police Services Board at the meeting held on December 18, 2008 that these particular audits are included in the Auditor General’s 2009 Audit Work Plan.

### Background Information

Audits for Toronto Police Services Board included in the Auditor General's 2009 Work Plan - staff report (February 5, 2009) from the Auditor General  
<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19048.pdf>

AU10.8	ACTION	Adopted		Ward: All
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### Leaside Memorial Community Gardens Arena – 2007 Audited Financial Statements and Management Letter

#### Committee Recommendations

The Audit Committee recommends that:

1. City Council receive the 2007 audited financial statements and management letter of Leaside Memorial Community Gardens Arena.

#### Origin

(February 6, 2009) Report from the Auditor General

#### Summary

The purpose of this report is to provide the Audit Committee and City Council with the 2007 audited financial statements and management letter of Leaside Memorial Community Gardens Arena. The audited financial statements and management letters for all other Arenas were previously submitted to Audit Committee.

### Background Information

Leaside Memorial Community Gardens Arena - 2007 Audited Financial Statements and Management Letter, staff report (February 6, 2009) from the Auditor General  
<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19079.pdf>

Appendix 1 - Financial Statements, Board of Management for the Leaside Memorial Community Gardens, December 31, 2007

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19080.pdf>)

Appendix 2 - Management Letter (May 5, 2008) from Grant Thornton

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19081.pdf>)

AU10.9	ACTION	Adopted		Ward: All
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## **Business Improvement Areas (BIAs) - 2007 Audited Financial Statements - Report No. 3**

### **Committee Recommendations**

The Audit Committee recommend that:

1. City Council approve the 2007 audited financial statements and management letters of the three Business Improvement Areas attached as Appendices A-1 to C-2.

### **Origin**

(January 19, 2009) Report from the Acting Treasurer and the Director, Business Services, Economic Development, Culture and Tourism

### **Summary**

The purpose of this report is to present the 2007 audited financial statements and management letters of three Business Improvement Areas (BIAs) to City Council for approval.

### **Background Information**

Business Improvement Areas (BIAs) - 2007 Audited Financial Statements - Report No. 3, staff report (January 19, 2009)

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19041.pdf>)

Appendix A-1 - Church-Wellesley Business Improvement Area - 2007 Audited Financial Statements

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19042.pdf>)

Appendix A-2 - Church-Wellesley BIA - Management Letter

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19043.pdf>)

Appendix B-1 - Kingsway Business Improvement Area - 2007 Audited Financial Statements

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19044.pdf>)

Appendix B-2 - Kingsway BIA - Management Letter

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19045.pdf>)

Appendix C-1 - Mount Dennis Business Improvement Area - 2007 Audited Financial Statements

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19046.pdf>)

Appendix C-2 - Mount Dennis BIA - Management Letter

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19047.pdf>)

**(Deferred from November 4, 2008 - 2008.AU9.13)**

AU10.10	Information	Received		Ward: All
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**Property Tax and Water Credit Balances****Decision Advice and Other Information**

The Audit Committee:

1. requested the Acting Treasurer to report to the Audit Committee on:
  - a. the feasibility of posting on the City's web page, information regarding outstanding credit balances collected from the taxpayer (for such things as trees, sidewalks, property taxes, and water) with a view to returning them; and
  - b. steps that might usefully be taken to address the issue of unclaimed credit balances; and
2. received for information, the report (October 17, 2008) from the Acting Treasurer.

**Origin**

(October 17, 2008) Report from the Acting Treasurer

**Summary**

This report provides information on credit balances in the City's property tax and water accounts.

**Background Information**

Property Tax and Water Credit Balances - staff report (October 17, 2008) from the Acting Treasurer

<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-18200.pdf>

**(Deferred from November 4, 2008 - 2008.AU9.15)**

AU10.11	Information	Received		Ward: All
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**City of Toronto Pension Plans - Audited Financial Statements for Year Ending December 31, 2007****Decision Advice and Other Information**

The Audit Committee:

1. requested the Deputy City Manager and Chief Financial Officer to report to the Budget Committee, as part of the 2010 budget process, on the impacts of the recent equity

market losses on the City-sponsored and TTC-sponsored pension plans and the financial consequences of these losses on the City's 2010 Operating Budget and forecast; and

2. received for information, the report (October 17, 2008) from the Acting Treasurer.

### Origin

(October 17, 2008) Report from the Acting Treasurer

### Summary

This report will present the financial statements for the City of Toronto Pension Plans for the year ending December 31, 2007.

### Background Information

City of Toronto Pension Plans, Audited Financial Statements for Year Ending December 31, 2007 - staff report (October 17, 2008) from the Acting Treasurer

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-18207.pdf>)

The Pension Fund of the Corporation of the City of York Employee Pension Plan - Financial Statements, December 31, 2007

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-18202.pdf>)

The Fund of the Metropolitan Toronto Pension Plan - Financial Statements, December 31, 2007

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-18203.pdf>)

The Fund of the Metropolitan Toronto Police Benefit Fund - Financial Statements, December 31, 2007

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-18204.pdf>)

The Fund of the Toronto Civic Employees' Pension and Benefit Fund - Financial Statements, December 31, 2007

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-18205.pdf>)

The Fund of the Toronto Fire Department Superannuation and Benefit Fund - Financial Statements, December 31, 2007

(<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-18206.pdf>)

**(Deferred from November 4, 2008 - 2008.AU9.16)**

AU10.12	Information	Received		Ward: All
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### Toronto Community Housing Corporation - 2007 Audited Consolidated Annual Financial Statements

#### Decision Advice and Other Information

The Audit Committee received for information, the following:

1. the Toronto Community Housing Corporation's 2007 Consolidated Financial Statements and Auditor's Report dated March 28, 2008; and

2. letter (February 25, 2009) from Keiko Nakamura, Chief Operating Officer and Acting Chief Executive Officer, Toronto Community Housing Corporation.

**Origin**

(July 22, 2008) Letter from City Council

**Summary**

City Council on July 15, 16 and 17, 2008, adopted Executive Committee Item EX22.10, headed "Toronto Community Housing Corporation - Annual Report to Shareholder, 2007 Audited Consolidated Annual Financial Statements and Annual General Meeting", without amendment, and in so doing, referred the Toronto Community Housing Corporation's 2007 audited annual consolidated financial statements and the auditor's report dated March 28, 2008, to the City Audit Committee for its information.

**Background Information**

Letter (July 22, 2008) from City Council - Toronto Community Housing Corp. 2007 Financial Statements

<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-18213.pdf>

Consolidated Financial Statements - Toronto Community Housing Corp. December 31, 2007, including the Auditor's report (March 28, 2008)

<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-18214.pdf>

Executive Committee Item EX22.10, adopted by City Council on July 15, 16 and 17, 2008

<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-18215.pdf>

**12a Toronto Community Housing Corporation - Investment Program****Origin**

(February 25, 2009) Letter from the Chief Operating Officer and Acting CEO, Toronto Community Housing Corporation

**Summary**

Reporting, as requested by the Audit Committee, on how the current market conditions are affecting the Toronto Community Housing Corporation's investments and impacting its operations.

**Background Information**

Letter (February 25, 2009) from the Chief Operating Officer and Acting CEO, TCHC, reporting as requested by the Audit Committee, on the effects of current market conditions on TCHC investments and operations

<http://www.toronto.ca/legdocs/mmis/2009/au/bgrd/backgroundfile-19381.pdf>

**Meeting Sessions**

Session Date	Session Type	Start Time	End Time	Public or Closed Session
2009-03-02	Morning	9:40 AM	11:20 AM	Public
2009-03-02	Morning	11:25 AM	12:25 PM	Closed
2009-03-02	Afternoon	12:25 PM	12:30 PM	Public
2009-03-02	Afternoon	1:35 PM	1:40 PM	Public
2009-03-02	Afternoon	1:40 PM	2:00 PM	Closed
2009-03-02	Afternoon	2:05 PM	3:35 PM	Public