



**AUDITOR GENERAL'S  
REPORT  
INFORMATION ONLY**

**Sony Centre for the Performing Arts – Results of Follow-up of Previous Audit Recommendations**

<b>Date:</b>	April 14, 2015
<b>To:</b>	Board of Directors of the Hummingbird Centre for the Performing Arts (operating as the Sony Centre for the Performing Arts)
<b>From:</b>	Auditor General
<b>Wards:</b>	All
<b>Reference Number:</b>	

**SUMMARY**

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The Auditor General's Office conducts an annual follow-up review of the implementation status of recommendations contained in previously issued audit reports. This report provides the follow-up results pertaining to recommendations in the audit report entitled "Review of the Redevelopment of the Sony Centre for the Performing Arts".

The audit report contained 12 recommendations. The report was presented to the Sony Centre Board of Directors on May 1, 2014, to the City's Audit Committee on May 28, 2014 and to City Council at its meeting of June 10, 2014. This is our first follow-up review of the Sony Centre audit.

Of the total 12 recommendations, two recommendations were determined to be fully implemented and the remaining ten recommendations were not fully implemented. Audit recommendations fully implemented are listed in Attachment 1. Audit recommendations not fully implemented, as well as management's comments and action plan, are included in Attachment 2 and will be carried forward to our next follow-up review.

**Financial Impact**

There is no financial impact resulting from receipt of this report.

## ISSUE BACKGROUND

The Auditor General conducts an annual follow-up process to ensure management has taken appropriate action to implement recommendations contained in audit reports.

We conducted this follow-up audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## COMMENTS

The follow-up review process requires that management provide the Auditor General a written response on the status of each recommendation contained in our audit reports. For those recommendations noted as implemented, audit work was conducted by audit staff to ensure the accuracy of management assertions. Where management indicated that a recommendation was not implemented, audit work was not performed.

Table 1 represents the results of our current follow-up on audit recommendations for the Sony Centre for the Performing Arts.

**Table 1:**

### RESULTS OF THE CURRENT REVIEW

Report Title and Date	Total No. of Recs.	Previously Reported		Results of Current Review		
		Fully Implemented	Not Applicable	Fully Implemented	Not Fully Implemented	Not Applicable
Review of the Redevelopment of the Sony Centre for the Performing Arts	12	N/A	N/A	2	10	-
<b>Total</b>	12	N/A	N/A	2	10	-

Of the total 12 recommendations, two recommendations were determined to be fully implemented and the remaining ten recommendations were not fully implemented. Audit recommendations fully implemented are listed in Attachment 1. Audit recommendations not fully implemented, as well as management's comments and action plan, are included in Attachment 2 and will be carried forward to our next follow-up review.

A consolidated report will be tabled at the June 26, 2015 meeting of the Audit Committee on the results of the current follow-up of audit recommendations relating to the City's Agencies and Corporations. The results of the current follow-up review for the Sony Centre will be included in that report.

## **CONTACT**

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## **SIGNATURE**

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Beverly Romeo-Beehler, Auditor General

## **ATTACHMENTS**

Attachment 1: Audit Recommendations – Fully Implemented  
Attachment 2: Audit Recommendations – Not Fully Implemented

**SONY CENTRE FOR THE PERFORMING ARTS  
AUDIT RECOMMENDATIONS - FULLY IMPLEMENTED**

**Report Title:           REVIEW OF THE REDEVELOPMENT OF THE SONY  
CENTRE FOR THE PERFORMING ARTS**

**Report Date:           APRIL 24, 2014**

**Recommendations:**

- (6)           The Board of Directors of the Sony Centre for the Performing Arts request the Chief Executive Officer to report the total funding received from all sources as well as the total of all costs related to all phases of the redevelopment.
  
- (11)          The Board of Directors of the Sony Centre for the Performing Arts request the Chief Executive Officer to confirm the appropriate accounting treatment of identified transactions with the Centre's external auditors.

**SONY CENTRE FOR THE PERFORMING ARTS  
AUDIT RECOMMENDATIONS – NOT FULLY IMPLEMENTED**

**Report Title:** REVIEW OF THE REDEVELOPMENT OF THE SONY CENTRE FOR THE PERFORMING ARTS

**Report Date:** APRIL 24, 2014

**Recommendations:**

<b>No.</b>	<b>Recommendation</b>	<b>Management’s Comments and Action Plan/Time Frame</b>
(1)	City Council request the City Manager, in consultation with the Board of Directors of the Sony Centre for the Performing Arts, to conduct a comprehensive review of the Centre’s operating agreement following any Council decision on the future of the Centre.	This action will proceed after the City Manager’s report on the future of the theatres is presented to the City Council.
(2)	City Council request the Deputy City Manager and Chief Financial Officer to re-evaluate the role of the City’s Facilities Management Division in all future construction projects at the City’s agencies and corporations.	<p>The Facilities Management Division is investigating oversight of capital projects for various internal City Divisions as well as agencies and boards. This work falls under two committees.</p> <p>a. Shared Services Committee: This project involves the city working alongside various agencies and boards with the focus on investigating costs saving opportunities due to shared services.</p> <p>b. Facilities Management Service Standards Committee (FMSSC): This Committee was formed in 2014 and has the mandate of developing city wide standards for Capital, Security, Maintenance and Custodial.</p>

(3)	City Council request the City Manager to make available a centralized resource containing City of Toronto Act requirements and City policies and procedures that City agencies and corporations are required to follow.	A centralized resource containing relevant legislation and policies to support agencies and corporations was launched on the City Manager's Office website on April 1, 2015. The overall City Manager's Office Agencies and Corporations website is currently being revised and will be launched by the end of June 2015, with the resource page a continuing feature. Agencies and corporations will be notified of the new resource page when they are notified of the new website.
(4).	The Board of Directors of the Sony Centre for the Performing Arts, in consultation with the City Manager, prepare a long-term strategic plan and a five-year business plan as requested by City Council. Such plan to include strategies to improve operating results, as well as a funding plan for the capital program.	This action will proceed after the City Manager's report on the future of the theatres is presented to City Council.
(5)	The Board of Directors of the Sony Centre for the Performing Arts, ensure that where a business plan is amended or discontinued, that a replacement plan be prepared and presented for City Council approval. Such business plan, and any subsequent amendments, be consistent with any Council-approved strategic objectives for the Centre.	In 2013 the Centre undertook a strategic planning process. In March 2014 the final and full report (via CAMG) was received/adopted by the Board and presented to GM Economic and Development.  Any further action will proceed after the City Manager's report on the future of the theatres is presented to City Council

<p>(7)</p>	<p>The Board of Directors of the Sony Centre for the Performing Arts request the Chief Executive Officer to report on the status of required and optional deferred lifecycle maintenance works identified in previous building condition review reports. Such report to include:</p> <ul style="list-style-type: none"> <li>a. Explanations for why work originally anticipated was omitted from the redevelopment;</li> <li>b. Identification of required and optional lifecycle maintenance works that have been included in the current 10-year Capital Plan; and</li> <li>c. Estimates of the cost to complete the remaining work.</li> </ul>	<p>Partially implemented by HB36.6 at June 13, 2014 Board meeting. Current management cannot comment on items omitted or not from the above report. However, once the 2015 scheduled building audit is completed by a qualified company, in 2nd quarter of 2015, the report will include a 20 year lifecycle for equipment replacement and related costs. This report will form the basis of future budgets and will be presented to the Board once completed as part of the budget cycle.</p>
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<p>(8)</p>	<p>The Board of Directors of the Sony Centre for the Performing Arts request the Chief Executive Officer submit for Board approval a comprehensive procurement policy. The development of this policy be conducted in consultation with the City Manager. The procurement policy to include but not be limited to:</p> <ul style="list-style-type: none"> <li>a. Acceptable methods of procurement including appropriate dollar value thresholds for requiring open, competitive procurement;</li> <li>b. Circumstances where sole sourcing is allowed and the reporting requirements and authorizations required to approve sole source awards;</li> <li>c. Approval authorities required where purchases exceed previously authorized commitment levels; and</li> <li>d. The level of documentation required to be retained in support of procurement decisions.</li> </ul>	<p>Finance Policy 303 – Purchasing Policies and Procedures was adopted at the Feb 13, 2014 Board meeting (HB31.12).</p> <p>Sony Centre will work with the City to enhance policies and procedures to ensure an appropriate procurement and tendering policy is developed for all future capital projects (non programming). This will be reported to the Board no later than Dec 2015</p>
<p>(9)</p>	<p>The Board of Directors of the Sony Centre for the Performing Arts request the Chief Executive Officer to review the administrative controls over the procurement process and ensure that such controls are appropriate. In addition, an internal quality control process be established to ensure compliance with such controls.</p>	<p>Finance Policy #301 – Signing Authority adopted at the Feb 13, 2014 Board meeting (HB 31.11) states that in general all contracts required two signatures and outlines different levels of signing authority by managers and directors.</p> <p>Sony Centre will work with the City to ensure an appropriate internal quality control process is established and present the process to the Board no later than Dec 2015.</p>



(10)	The Board of Directors of the Sony Centre for the Performing Arts request the Chief Executive Officer to implement processes to ensure future compliance with the City's "Policy on Donations to the City for Community Benefits".	Further development of this policy and process will proceed after the City Manager's report on the future of the theatres is presented to City Council.
(12)	City Council request the Deputy City Manager and Chief Financial Officer review transactions reported in the financial statements of the City's agencies and corporations which relate to the capital works program recorded in the City's accounts.	Year end information from agencies and corporations is not yet available; therefore, sufficient time has not passed to be able to demonstrate that a review of transactions reported in the financial statements has been completed. The Treasurer's Office has confirmed that a review will be undertaken as soon as the information is available