

THE CITY OF TORONTO

Clerk's Department

Minutes of the Audit Committee

Meeting No. 3

Thursday, June 13, 2002

The Audit Committee met on Thursday, June 13, 2002 in Committee Room 1, 2nd Floor, City Hall, commencing at 9:30 a.m.

3.1 Corporate Accountability Framework – Implementation Plan and Status Update on the Use of Consultants

The Audit Committee had before it a report (May 31, 2002) from the Chief Administrative Officer respecting Corporate Accountability Framework – Implementation Plan and Status Update on the Use of Consultants and recommending that:

- (1) the C.A.O. and the C.F.O, in consultation with the City Auditor, provide an annual report commencing with the period ending December 31, 2002, on consulting expenditures that will include actual consulting expenses for the previous year (and the year prior) organized by: department or local board, by the specific consulting categories and by vendor; and
- (2) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

On motion by Councillor Holiday, the Audit Committee recommended the adoption of the foregoing report.

(Report No. 6, Clause 1)

3.2 Response of the Toronto Police Service to the report entitled, “Policy for the Selection and Hiring of Professional and Consulting Services; Use of Consultants and Expenditure Reduction Strategies; Hiring of Professional and Consulting Services Review

The Audit Committee had before it a report (April 22, 2002) from the Chairman, Toronto Police Services Board, respecting Response of the Toronto Police Service to the report entitled, “Policy for the Selection and Hiring of Professional and Consulting Services; Use of Consultants and Expenditure Reduction Strategies; Hiring of Professional and Consulting Services Review and recommending that the Audit Committee receive this report.

On motion by Councillor Altobello, the Audit Committee received the foregoing report.

(Letter sent to: Chairman, Toronto Police Services Board; c: Chief of Police, Chief Administrative Officer, City Auditor - June 14, 2002)

(Report No. 7, Clause 15(a))

3.3 Investment Policy Compliance

The Audit Committee had before it a report (May 29, 2002) from the City Auditor respecting Investment Policy Compliance recommending that:

- (1) the Chief Financial Officer and Treasurer establish a reporting process to ensure that Agencies, Boards and Commissions over which the City has authority comply with the City's investment policy and procedures and that this process be implemented by December 31, 2002;
- (2) the City Auditor review whether investments held by Agencies, Boards and Commissions of the City comply with the City's investment policy and procedures;
- (3) the Chief Financial Officer and Treasurer submit a revised Investment Policy and Procedures document to City Council for approval by December 31, 2002; and
- (4) the Chief Financial Officer and Treasurer complete section 5 of the Investment Policy and Procedures by December 31, 2002.

The Audit Committee also had before it a report (June 5, 2002) from the Chief Financial Officer and Treasurer respecting Investment Policy Compliance by City Agencies, Boards and Commissions, and recommending that:

- (1) the City's Investment Policy, as approved by Council, be distributed to the City's Agencies, Boards and Commissions and be directed by Council to comply with the policy;
- (2) the City's Agencies, Boards and Commissions be requested by Council to report on an annual basis to the Audit Committee to certify that they are in compliance with the City's investment policy and to report all instances of non-compliance; and
- (3) the CFO and Treasurer be requested to review the current investment management practices of the Toronto Parking Authority and the Toronto Public Library Board which have considerable investment programs, and report back to Audit Committee by December 31, 2002 on the feasibility and advisability of

these funds being managed by City Finance in order to increase efficiency and economies of scale, and provide improved investment rates of return.

On motion by Councillor Altobello, the Audit Committee recommended the adoption of the foregoing reports.

(Report No. 6, Clause 2)

3.4 Contract Management Practices

The Audit Committee had before it a report (May 28, 2002) from the Chief Administrative Officer, respecting Contract Management Practices and recommending that:

- (1) the corporate financial policy and procedural manual include a section on contract management principles
- (2) the contract management examples and guidelines outlined in this report be communicated to the Executive Management Team and the Finance and Administration Committee Team (FACT) and other relevant staff;
- (3) a further update on contract management be provided to the Audit Committee at its first meeting in 2003, and
- (4) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

On motion by Councillor Altobello, the Audit Committee recommended the adoption of the foregoing report.

(Report No. 6, Clause 3)

3.5 Fraud Hotline Status Report

The Audit Committee had before it a report (May 31, 2002) from the City Auditor, respecting Fraud Hotline Status Report and recommending that this report be received for information.

On motion by Councillor Holyday, the Audit Committee, in accordance with the Municipal Act, adjourned its public session to meet in camera, as discussion pertaining to this subject dealt with personal matters about an identifiable individual, including municipal or local board employees.

On further motion by Councillor Holyday, the Audit Committee received the foregoing status for information.

(Letter sent to: City Auditor; c: Tony Veneziano, Director, Audit Services; Carmelina Di Mondo, Project Manager - June 17, 2002)

(Report No. 6, Clause 15(b))

3.6 Fraud Policy – Communication to Staff

The Audit Committee had before it a report (May 28, 2002) from the Chief Administrative Officer, respecting Fraud Policy – Communication to Staff and recommending that this report be received for information.

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

(Letter sent to: Chief Administrative Officer; c: Jim Hart, Director, Executive Management Division, CAO's Office; City Auditor - June 14, 2002)

(Report No. 6, Clause 15(c))

3.7 Environmental Issues and Audit Plan

The Audit Committee had before it a report (May 30, 2002) from the City Auditor, respecting Environmental Issues and Audit Plan and recommending that:

- (1) the Chief Administrative Officer, in consultation with the Chair of the Toronto Inter-departmental Environment Team (TIE), review the recommendations of the Environmental Plan and:
 - (a) develop corporate environmental priorities based on an evaluation of current environmental risks and the potential for environmental health benefits and cost savings to the City;
 - (b) set objectives, targets and time frames for environmental initiatives, that are achievable, clearly defined and measurable;
 - (c) refine the monitoring and reporting system recently developed to evaluate progress on the targets and objectives set, and to document those environmental initiatives which have been completed;
 - (d) assign an appropriate lead for each environmental initiative, with the responsibility for developing an implementation plan, co-ordinating activities, and defining and achieving expected deliverables or outcomes;

- (e) develop a process for incorporating environmental initiatives into departmental business plans and the annual budget process; and
- (f) include in an annual environmental report to City Council, the status of environmental initiatives, results achieved to date as well as the challenges and priorities in both the short and long-term in implementing the Environmental Plan;

and report thereon to the Policy and Finance Committee;

- (2) the Chief Administrative Officer report to the Policy and Finance Committee, on how to incorporate environmental considerations into the City's decision-making processes;
- (3) the Chief Administrative Officer consider the development of a risk management approach for all City departments, that will identify and assess day-to-day environmental impacts and health risks in City operations, to reduce potential environmental liabilities and report to the Policy and Finance Committee on a recommended course of action;
- (4) the Chief Administrative Officer and the Commissioner of Works and Emergency Services review the costs and benefits of implementing an Environmental Management System in the City of Toronto, taking into account the experiences of other Canadian municipalities and the Works and Emergency Services Department's current pilot project, and report to the Policy and Finance Committee by December 2003;
- (5) the Chief Administrative Officer, in consultation with the City Auditor, review options to manage public concerns and complaints regarding environmental issues in the City of Toronto, and report to the Audit Committee by March 2003;
- (6) the environmental audits summarized in Appendix 3 of this report be incorporated into the City Auditor's 2002 and 2003 audit work plans; and
- (7) the Chief Administrative Officer report to the September 2002 Audit Committee meeting with a response to the observations and recommendations in this report, including expected timeframes for reporting to the Policy and Finance Committee on the implementation of the recommendations.

On motion by Councillor Altobello, the Audit Committee recommended the adoption of the foregoing report.

(Report No. 6, Clause 4)

3.8 Terms of Reference

The Audit Committee had before it a report (May 24, 2002) from the City Auditor, respecting Terms of Reference and recommending that this report be received for information.

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

(Letter sent to: City Auditor - June 13, 2002)

(Report No. 6, Clause 15(d))

3.9 Update on Workplan to Address Issues Raised in 2000 Management Letter

The Audit Committee had before it a report (May 23, 2002) from the Chief Financial Officer & Treasurer, respecting Update on Workplan to Address Issues Raised in 2000 Management Letter and recommending that this quarterly update report on workplan progress be received and forwarded to Council for information.

On motion by Councillor Altobello, the Audit Committee recommended that the report (May 23, 2002) from the Chief Financial Officer and Treasurer be received for information.

(Report No. 6, Clause 5)

3.10 Ernst and Young Management Letters for 2001 – Toronto Public Library

The Audit Committee had before it a report (May 28, 2002) from the City Librarian, respecting Ernst and Young Management Letters for 2001 – Toronto Public Library and recommending that the attached Management Letters and accompanying Management Response for the Toronto Public Library for the year ended December 31, 2001 be received for information.

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

(Letter sent to: City Librarian; c: Larry Hughsam, Acting Director, Administration, City Auditor - June 13, 2002)

(Report No. 6 - Clause 15(e))

3.11 Response to 2000 Audit Management Letters for Business Improvement Areas

The Audit Committee had before it a report (May 28, 2002) from the Commissioner of Economic Development, Culture and Tourism, respecting Response to 2000 Audit Management Letters for Business Improvement Areas and recommending that the report be received for information.

On motion by Councillor Altobello, the Audit Committee having received the foregoing report for information:

(Letter sent to: Commissioner of Economic Development, Culture and Tourism; c: Karen Thorne-Stone, Director, Administration and Support Services; Brenda Librecz, Managing Director, Economic Development; City Auditor - June 13, 2002)

(Report No. 6, Clause 15(f))

3.12 Toronto Public Library – Review of Year-End Spending, Fleet Maintenance, Use of Consultants and Budgets for Maintenance and Repairs

The Audit Committee had before it a report (May 28, 2002) from the City Librarian, respecting Toronto Public Library – Review of Year-End Spending, Fleet Maintenance, Use of Consultants and Budgets for Maintenance and Repairs, and recommending that the attached Toronto Public Library – Review of Year-Ending Spending, Fleet Maintenance, Use of the Consultants and Budget for Maintenance and Repairs report prepared by the City Auditor and adopted by the Toronto Public Library Board at its meeting of May 13, 2002, be received for information.

On motion by Councillor Altobello, the Audit Committee received the foregoing report for information and forwarded same to the Budget Advisory Committee.

(Letter sent to: Budget Advisory Committee; c: Larry Hughsam, Acting Director, Administration; City Auditor; City Librarian - June 13, 2002)

(Report No. 6, Clause 15(g))

3.13 Protocol – Monitoring the Implementation of City Auditor’s Recommendations

The Audit Committee had before it a report (June 3, 2002) from the Chief Administrative Officer, respecting Protocol – Monitoring the Implementation of City Auditor’s Recommendations, and recommending that:

- (1) the protocol as contained in appendix be adopted; and

- (2) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

On motion by Councillor Altobello, the Audit Committee recommended the adoption of the report (June 3, 2002) from the Chief Administrative Officer.

(Report No. 6, Clause 6)

3.14 Consolidated Financial Statements for the Year Ended December 31, 2001

The Audit Committee had before it a report (May 31, 2002) from the Chief Financial Officer & Treasurer, respecting Consolidated Financial Statements for the Year Ended December 31, 2001, and recommending that the attached 2001 Consolidated Financial Statements be approved.

On motion by Councillor Holyday, the Audit Committee recommended that the 2001 City of Toronto Consolidated Financial Statements, attached to the report (May 31, 2002) from the Chief Financial Officer and Treasurer, be approved.

(Report No. 6, Clause 7)

3.15 Audit Results – Report to the Audit Committee of the City of Toronto – December 31, 2001

The Audit Committee had before it a communication (May 31, 2002) from Martha Tory and Diana Brouwer, forwarding the audit of the consolidated financial statements of the City of Toronto

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

- (1) the report (May 31, 2002) from Ernst & Young, Chartered Accountants, entitled, “City of Toronto - Audit Results – December 31, 2001 – Report to the Audit Committee of the City of Toronto” be received for information; and
- (2) the Policy and Finance Committee be directed to develop action plans respecting Finance-Insurance Reserve Funding, Information Technology – Disaster Recovery Planning and TPS – Disaster Recovery Planning.

(Report No. 6, Clause 8)

3.16 2001 Financial Statements – Board of Governors of Exhibition Place

The Audit Committee had before it a report (April 29, 2002) from the General Manager and C.E.O., Exhibition Place, respecting 2001 Financial Statements – Board of Governors of Exhibition Place, forwarding the 2001 Financial Statements – Board of Governors of Exhibition Place.

On motion by Councillor Holyday, the Audit Committee 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, 2001; and
- (2) the appropriate Exhibition Place and City Officials be authorized and directed to take the necessary action to give effect thereto.

(Report No. 6, Clause 9)

3.17 Draft Audit Report and 2001 Financial Statements – Toronto Zoo

The Audit Committee had before it a communication (May 14, 2002) from the Secretary, Toronto Zoo, forwarding the Financial Statements of the Board of Management for the Toronto Zoo for the year ended December 31, 2001 and advising that the Board of Management approved the financial statements and directed that they be forwarded to the City's Audit Committee

On motion by Councillor Holyday, the Audit Committee recommended that the financial statements of the Board of Management of the Toronto Zoo for the year ended December 31, 2001 be approved.

(Report No. 6, Clause 10)

3.18 Auditor's Report and Financial Statements of the Toronto Atmospheric Fund for the Year Ended December 31, 2001

The Audit Committee had before it a communication (May 16, 2002) from the Committee Secretary, Toronto Atmospheric Fund, respecting the Auditor's Report and Financial Statements of the Toronto Atmospheric Fund for the Year Ended December 31, 2001.

On motion by Councillor Bussin, the Audit Committee recommended that City Council receive the Auditor's Report (February 26, 2002) and the Financial Statements of the Toronto Atmospheric Fund for the year ended December 31, 2001.

(Report No. 6, Clause 11)

3.19 Service Level and Harmonization Initiatives responding to Recommendations of the Audit Committee, Building Division Review 2001

The Audit Committee had before it a communication (May 1, 2002) from the City Clerk, Planning and Transportation Committee, respecting Service Level and Harmonization Initiatives responding to Recommendations of the Audit Committee, Building Division Review 2001 and advising that the Planning and Transportation Committee received the report (April 8, 2002) from the Commissioner of Urban Development Services and forwarding the report to the Audit Committee for information

On motion by Councillor Altobello, the Audit Committee received the foregoing communication for information.

(Letter sent to: City Clerk, Planning and Transportation Committee; c: Commissioner of Urban Development Services; City Auditor - June 14, 2002)

(Report No. 6, Clause 15(h))

3.20 Semi-Annual Update: Response of the Review of the Investigation of Sexual Assaults – Toronto Police Service

The Audit Committee had before it a report (May 8, 2002) from the Chairman, Toronto Police Services Board, respecting Semi-Annual Update: Response of the Review of the Investigation of Sexual Assaults – Toronto Police Service, and recommending that the Audit Committee receive this report.

On motion by Councillor Altobello, the Audit Committee received the foregoing report.

(Letter sent to: Chairman, Toronto Police Services Board; c: Chief of Police; City Auditor - June 17, 2002)

(Report No. 6, Clause 15(i))

3.21 MFP Financial Services – Update on Public Enquiry

On motion by Councillor Holyday in the Chair, the Audit Committee allowed the introduction of the following reports:

- (June 7, 2002) from the Chief Administrative Officer and City Solicitor respecting Toronto Computer Leasing Inquiry – Document Production, and recommending that this report be received for information;

11
Audit Committee Minutes
June 13, 2002

- (June 10, 2002) from the Chief Administrative Officer and City Solicitor respecting Preliminary Budget of the Toronto Computer Leasing Inquiry;
- (June 10, 2002) from the Chief Administrative Officer and the City Solicitor respecting Toronto Computer Leasing Inquiry – Standing Issues; and
- Confidential report (June 11, 2002) from the City Solicitor respecting MFP Financial Services Ltd. - Status of Litigation.

On motion by Councillor Holyday, the Audit Committee adjourned its public session to meet in camera to consider the confidential report (June 11, 2002) from the City Solicitor as the report dealt with the receiving of advice that is subject to solicitor-client privilege, including communications necessary for that purpose.

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

- (1) submitted the joint report (June 10, 2002) from the City Solicitor and Chief Administrative Officer respecting Preliminary Budget of the Toronto Computer Leasing Inquiry and of Litigation Costs to Council without recommendation;
- (2) recommended that City Council instruct the City Solicitor to seek standing at the Public Inquiry and to retain outside counsel to represent the City at the Inquiry on the terms set out in the joint report (June 10) from the Chief Administrative Officer and City Solicitor titled, “Toronto Computer Leasing Inquiry – Standing Issues”;
- (3) recommended that the confidential report (June 10, 2002) from the City Solicitor titled, “MFP Financial Serviced Ltd. – Status of Litigation”, submitted to Council under separate cover, be received; and further that, in accordance with the Municipal Act, discussions pertaining to this report be held in camera, as the report deals with the receiving of advice that is subject to solicitor-client privilege, including communications necessary for that purpose;
- (4) recommended that the joint report (June 7, 2002) from the Chief Administrative Officer and the City Solicitor titled, “Toronto Computer Leasing Inquiry – Document Production” be received for information.

On further motion by Councillor Balkissoon, with Councillor Holyday in the Chair, the Audit Committee also requested the City Solicitor to submit a further report directly to Council clarifying the anticipated litigation costs and the anticipated costs of the Public Inquiry.

(Letter sent to: City Solicitor; c: Chief Administrative Officer - June 14, 2002)

(Report No. 6, Clause 12)

3.22 Forensic Audits on Various Consulting Contracts

The Audit Committee had before it a confidential report (May 31, 2002) from the City Auditor, respecting Forensic Audits on Various Consulting Contracts.

On motion by Councillor Holyday, the Audit Committee adjourned its public session to meet in camera, to consider the confidential report (May 31, 2002) from the City Auditor, as the subject matter dealt with litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board.

On motion by Councillor Holyday, the Audit Committee recommended the adoption of the confidential recommendations of the Audit Committee set out in the communication (June 13, 2002) from the City Clerk, Audit Committee and which was forwarded to Members of Council under separate cover; and further that, in accordance with the Municipal Act, discussions pertaining to this matter be held in camera, as the subject deals with litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board.

(Report No. 6, Clause 13)

3.23 Competition Bureau Investigation – Supply of Liquid Chlorine

On motion by Councillor Holyday, the Audit Committee allowed the introduction of a confidential verbal report from the City Auditor respecting Competition Bureau Investigation - Supply of Liquid Chlorine.

On further motion by Councillor Holyday, the Audit Committee adjourned its public session to meet in camera, to consider the confidential report from the City Auditor as the subject matter dealt with litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board.

On further motion by Councillor Holyday, the Audit Committee submitted this matter to Council without recommendation and advised that, in accordance with the Municipal Act, discussions pertaining to this matter be held in camera, as the subject matter of the report deals with litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board.

On further motion by Councillor Holyday, the Audit Committee also:

- (1) received a confidential verbal report from the City Auditor on this matter; and
- (2) requested City Auditor to report directly to Council on this matter, if possible.

13
Audit Committee Minutes
June 13, 2002

(Letter sent to: City Auditor - June 17, 2002)

(Report No. 6, Clause 14)

The Committee adjourned at 12:20 p.m.

Chair

14
Audit Committee Minutes
June 13, 2002

Attendance:

June 13, 2002	9:30 a.m. – 10:25 a.m.	10:25 a.m. - 12:15 p.m. (In Camera)	12:15 p.m. – 12:20 p.m.
Balkissoon (Chair)	X	X	X
Holyday (Vice-Chair)	X	X	X
Altobello	X	X	X
Bussin	X	X	X
Milczyn	X	X	X
Minnan-Wong	X	X	

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

Note: Councillors Miller, Nunziata, Sutherland, and Walker were also present during some or all portions of the meeting.