

THE CITY OF TORONTO

Clerk's Department

Minutes of the Audit Committee

Special Meeting No. 5

Friday, November 8, 2002

The Audit Committee met on Friday, November 8, 2002 in Committee Room 1, 2nd Floor, City Hall, commencing at 9:30 a.m.

5.1 Implementation of Auditor General and Internal Audit Functions

The Audit Committee had before it a report (November 4, 2002) from the Chief Administrative Officer, giving effect to decisions made by City Council on May 21, 22, 23, 2002 with respect to the implementation of Auditor General and Internal Audit functions, and recommending that:

- (1) to give effect to Council's decision to establish an Auditor General and to transfer Internal Audit functions from the Auditor General to the Chief Administrative Officer, as recommended in the report of Mr. Denis Desautels, the 2003 budget submission for the Chief Administrative Officer be increased by \$700,000 to be funded as follows: \$50,000 transferred from the Auditor General's Office and \$650,000 to be funded as a new program;
- (2) the Chief Administrative Officer report to the Policy and Finance Committee in eighteen months on the status of implementation including any additional actions necessary to support the ongoing effectiveness of the internal audit function;
- (3) the draft by-law attached as Appendix 1 be approved, setting out provisions for the Auditor General's responsibilities, term of office, selection, compensation, annual audit plan, and other matters as required to implement the Auditor General function., and the City Solicitor be authorized to introduce the necessary bill in Council to give effect thereto;
- (4) in accordance with Section 27-137, notice of Council's intention to amend Chapter 27, Council Procedures, of the City of Toronto Municipal Code, regarding the duties of the Audit Committee as set out in Appendix 2, be given; and that authority be granted for the introduction of the necessary bill in Council to give effect thereto;
- (5) the Audit Framework Policy attached as Appendix 3 be approved, setting out detailed protocols for the Auditor General;

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- (6) the Minister of Municipal Affairs be requested to make the necessary legislative amendments to allow the City to delegate to the Auditor General the statutory powers currently in place for external attest auditors;
- (7) Council's Policy on the Selection and Hiring of Consulting Services be amended to:
 - (a) provide the Auditor General with authority for Auditor General consulting related expenditures of up to \$250,000, where approved procurement procedures have been followed;
 - (b) transfer from the Chief Administrative Officer to the Audit Committee the authority for approving Auditor General consulting related expenditures between \$250,000 and \$500,000; and
 - (c) provide the Auditor General with authority for Auditor General consulting related expenditures of up to \$50,000 in expenditures where normal purchasing procedures are not possible; and that this change be referred to the current review of the Municipal Code, Chapter 195 (Purchasing By-law) for any required amendments resulting therefrom;
- (8) this report be forwarded to the Policy and Finance Committee for consideration at its meeting of November 14, 2002;
- (9) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto and that leave be granted for the introduction of any necessary bills in Council to give effect thereto."

The Audit Committee also had before it Clause 6 of Audit Committee Report No. 6, titled, "Protocol – Monitoring the Implementation of the City Auditor's Recommendations", which was adopted, without amendment, but City Council at its meeting held on June 18, 19 and 20, 2002

Mr John Elvidge and Ms. Lynda Taschereau, Office of the Chief Administrative Officer, made a presentation to the Audit Committee.

The Audit Committee recommended to the Policy and Finance Committee that:

On motion by Councillor Kelly:

- (1) to give effect to Council's decision to establish an Auditor General and to transfer Internal Audit functions from the Auditor General to the Chief Administrative Officer, as recommended in the report of Mr. Denis Desautels, the 2003 budget submission for the Chief Administrative Officer be increased by \$700,000 to be funded as follows: \$50,000 transferred from the Auditor General's Office and \$650,000 to be funded as a new program;

On motion by Councillor Balkissoon, with Councillor Jones in the Chair:

- (2) pre-approval of \$650,000 (or a portion thereof) be granted from the 2003 budget request in order that implementation of the internal audit function may commence as soon as possible;

On further motion by Councillor Kelly:

- (3) the Chief Administrative Officer report to the Policy and Finance Committee in eighteen months on the status of implementation including any additional actions necessary to support the ongoing effectiveness of the internal audit function;
- (4) the draft by-law attached as Appendix 1 of the report (November 4, 2002) from the Chief Administrative Officer be approved, setting out provisions for the Auditor General's responsibilities, term of office, selection, compensation, annual audit plan, and other matters as required to implement the Auditor General function., and the City Solicitor be authorized to introduce the necessary bill in Council to give effect thereto;
- (5) in accordance with Section 27-137, notice of Council's intention to amend Chapter 27, Council Procedures, of the City of Toronto Municipal Code, regarding the duties of the Audit Committee, as set out in Appendix 2 of the report (November 4, 2002) from the Chief Administrative Officer, be given; and that authority be granted for the introduction of the necessary bill in Council to give effect thereto;
- (6) the Audit Framework Policy, attached as Appendix 3 of the report (November 4, 2002) from the Chief Administrative Officer, be approved, setting out detailed protocols for the Auditor General;

On further motion by Councillor Balkissoon, with Councillor Jones in the Chair:

- (7) the Minister of Municipal Affairs be requested to make the necessary legislative amendments to allow the City to delegate to the Auditor General the statutory powers currently in place for external attest auditors; and the Chief Administrative Officer report to the Audit Committee in six months on the status of the request to the Minister;

On further motion by Councillor Kelly:

- (8) Council's Policy on the Selection and Hiring of Consulting Services be amended to:

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- (a) provide the Auditor General with authority for Auditor General consulting related expenditures of up to \$250,000, where approved procurement procedures have been followed;
- (b) transfer from the Chief Administrative Officer to the Audit Committee the authority for approving Auditor General consulting related expenditures between \$250,000 and \$500,000; and
- (c) provide the Auditor General with authority for Auditor General consulting related expenditures of up to \$50,000 in expenditures where normal purchasing procedures are not possible; and that this change be referred to the current review of the Municipal Code, Chapter 195 (Purchasing By-law) for any required amendments resulting therefrom;

On further motion by Councillor Balkissoon, with Councillor Jones in the Chair:

- (9) upon completion of the independent external review and job evaluation of the new position of Auditor General, the current contract of Mr. Jeffrey Griffiths be amended to reflect any changes, and that Clause No. 169-30.3.C of the draft by-law contained in Appendix 1 of the report (November 4, 2002) from the Chief Administrative Officer be deleted;
- (10) the Implementation Team be disbanded and the members be thanked for their efforts in this regard;
- (11) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto and that leave be granted for the introduction of any necessary bills in Council to give effect thereto.

On further motion by Councillor Balkissoon, with Councillor Jones in the Chair, the Audit Committee also requested its Chair to submit the following Notice of Motion to City Council, at its meeting to be held on November 26, 2002, in conjunction with Council's consideration of this matter:

“Whereas on May 21, 22 and 23, 2002, City Council approved a term of office of five years for the Auditor General; and

Whereas that decision was based upon the maximum allowable term of office under the *Municipal Act*; and

Whereas it has been determined that the City may appoint the Auditor General as a non-statutory official without any restriction or maximum term; and

Whereas it would be preferable to establish a longer term of office to ensure that in the future the City is able to attract and retain a qualified candidate to the position; and

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Whereas the original recommendation of Mr. Denis Desautels was to set a term of 7 years;

Therefore be it resolved that Clause No. (1) of Report No. 7 of the Policy and Finance Committee dated May 21, 22 and 23, 2002 be reopened only as it pertains to the number of years of the term of the Auditor General; and

Be it further resolved that Clause 169-30.2.B of the draft by-law contained in Appendix 1 of the report (November 4, 2002) from the Chief Administrative Officer be amended by deleting the number '5' and inserting in lieu thereof the number '7', so the clause shall now read:

'B. Be appointed for a non-renewable term of 7 years.'

A motion by Councillor Ford, that the Internal Audit Division be comprised of 3 staff, at a budget of \$350,000, was voted on and lost.

(Letter sent to Policy and Finance Committee - November 8, 2002)

(Report No. 9, Clause 7(a))

The Committee adjourned at 11:25 a.m.

Chair

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Attendance:

November 8, 2002	9:30 a.m. – 11:25 a.m.
Balkissoon (Chair)	X
Jones (Vice-Chair)	X
Ford	X
Kelly	X
Walker	X

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