

**THE CITY OF TORONTO**

**Clerk's Department**

**Minutes of the Audit Committee**

**Meeting No. 4**

**Tuesday, September 16, 2003**

The Audit Committee met on Tuesday, September 16, 2003 in Committee Room 1, 2nd Floor, City Hall, commencing at 9:30 a.m.

No Declarations of Interest pursuant to the Municipal Conflict of Interest Act were declared.

On motion by Councillor Ford, the Minutes of the Meetings held on June 13 and July 16, 2003 were confirmed.

**4.1 Annual Report on the Status of Fraud and Related Matters, Including the Operation of the Fraud & Waste Hotline Program**

The Audit Committee had before it an annual report (September 3, 2003) from the Auditor General respecting the Status of Fraud and Related Matters, including the Operation of the Fraud & Waste Hotline Program, and recommending that this report be received for information.

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

- (1) the report (September 3, 2003) from the Auditor General be received for information;
- (2) \$160,000 be included in the Auditor General's Office 2004 Operating Budget Request for two additional full-time staff equivalent positions to operate a permanent Fraud Hotline program and investigate complaints received; and
- (3) the Auditor General be requested to submit to the Audit Committee a detailed breakdown of the 8 investigations conducted by his office and of the 114 complaints referred to Departments.

**(Report No. 4, Clause 8)**

**4.2 Request for Proposal 9155-03-7347 – External Audit Services – Results**

The Audit Committee had before it a report (August 27, 2003) from the Auditor General respecting Request for Proposal 9155-03-7347 – External Audit Services – Results, and recommending that:

- (1) the firm of Grant Thornton LLP, the proponent with the highest overall evaluated score and the lowest cost, be retained for the provision of external audit services for Community Centres, Arenas and various other entities as listed in Appendix A, for the years 2003 to 2007 inclusive at a total cost of \$359,900 including expenses and applicable taxes, subject to the execution of an agreement satisfactory to the appropriate City officials; and
- (2) the appropriate City officials be authorized to take the necessary action to give effect thereto.

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

- (1) the report (August 27, 2003) from the Auditor General be adopted; and
- (2) discussions pertaining to Confidential Appendix B of the report (August 27, 2003) from the Auditor General be held in camera, as the subject matter of the Appendix deals with the security of the property of the municipality or local board.

**(Report No. 4, Clause 1)**

#### **4.3 Contract Compliance Review – Safety Footwear**

The Audit Committee had before it a report (September 4, 2003) from the Auditor General respecting Contract Compliance Review - Safety Footwear, and recommending that:

- (1) the Commissioner of Corporate Services delegate a central staff resource in order to ensure that the contract with the supplier for safety footwear is appropriately managed. Staff assigned should ensure that:
  - footwear is being supplied under the terms of the contract;
  - prices being charged for footwear are in accordance with the contract;
  - proper supervisory authorization procedures are in place in regards to the supply of footwear to employees;
  - invoices submitted by suppliers contain the information necessary to enable the accurate approval for payment;
  - all specific provisions of the contract are being met; and
  - approval/requisition forms clearly indicate the type of footwear available under the contract; and

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- (2) the Commissioner of Corporate Services advise suppliers in writing that footwear provided to employees at costs in excess of the contract amount will not be reimbursed. Such excess costs are the responsibility of each employee and all such employees be so advised;
- (3) the Commissioner of Corporate Services be required to review, on a random basis, specific invoices for safety footwear and compare such invoices to relevant authorization forms in order to determine that amounts charged to the City are appropriate. The result of the review will determine whether further analysis is required and, where appropriate, overpayments be recovered from the supplier;
- (4) the Commissioner of Corporate Services, in consultation with the Chief Financial Officer and Treasurer, advise all Departments that purchases for supplies such as safety footwear be conducted on an as needed basis and in accordance with City supplier contracts. Significant purchases not be made for the purpose of utilizing unexpended budgets nor be made for the purpose of storing non-critical supplies in inventory;
- (5) the Chief Administrative Officer review the recommendations contained in this report and take the necessary action to ensure that all City wide contracts are similarly, appropriately and effectively managed; and
- (6) the Commissioner of Corporate Services report back to the first audit committee meeting in 2004 on the action taken to address the above recommendations.

John Colantonio, Mister Safety Shoes Inc. addressed the Audit Committee.

The Audit Committee recommended the adoption of the report (September 4, 2003) from the Auditor General, subject to:

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

- (1) the Commissioner of Corporate Services and the Chief Administrative Officer reporting back to the Audit Committee in three months or at the first meeting of the Audit Committee in 2004, whichever comes first; and

On motion by Councillor Ford:

- (2) the price list being amended to include the price of the safety boots.

**(Report No. 4, Clause 2)**

#### **4.4 Protocol Relating to Financial Statements and Management Letters for Agencies, Boards and Commissions**

The Audit Committee had before it a report (September 3, 2003) from the Auditor General respecting Protocol Relating to Financial Statements and Management Letters for Agencies, Boards and Commissions, and recommending that:

- (1) Senior Management of all of the City's Agencies, Boards and Commissions be directed to advise the Auditor General of all planning and closing audit meetings held with the City's external auditors. The Auditor General, or his designate, attend all such meetings where appropriate;
- (2) the external auditors of the City be required to advise the Auditor General of any significant issues identified during the course of the audit, and the Auditor General, or his designate, be invited to attend all meeting where these issues are discussed;
- (3) Senior Management of all of the City's Agencies, Boards and Commissions advise the Auditor General, or his designate, of the date and location of all meetings of the governing bodies where financial statements and management letters are being reviewed, approved or discussed;
- (4) the governing body of each entity, subsequent to approval and review, be required to submit to the Audit Committee, for information purposes, copies of audited financial statements and management letters. Management responses should be appended to each management letter; and
- (5) a copy of this report be forwarded to all Agencies, Boards and Commissions, and the City's external auditors.

On motion by Councillor Balkissoon, with Councillor Walker in the Chair, the Audit Committee recommended that:

- (1) the report (September 3, 2003) from the Auditor General be adopted; and
- (2) the Auditor General advise the Audit Committee in writing of any issues of concern identified during his review of either the financial statements or management letters.

**(Report No. 4, Clause 3)**

#### **4.5 Investment Policy Compliance**

The Audit Committee had before it a report (August 25, 2002) from the Auditor General respecting Investment Policy Compliance, and 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, as previously recommended by the Auditor General, and that this process be implemented by December 31, 2003;
- (2) the Chief Financial Officer and Treasurer review the feasibility and advisability of the City's Finance Department managing the investments of the Toronto Parking Authority and the Toronto Library Board, as previously recommended by the Chief Financial Officer and Treasurer, and report to Audit Committee by April 30, 2004; and
- (3) the Chief Financial Officer and Treasurer submit a revised Investment Policy and Procedures document to City Council for approval by April 30, 2004.

On motion by Councillor Balkissoon, with Councillor Walker in the Chair, the Audit Committee recommended the adoption of the report (August 25, 2003) from the Auditor General, subject to the Chief Financial Officer and Treasurer reporting back to the Audit Committee at its first meeting of 2004 on the implementation of Recommendation No. (1) of the report.

**(Report No. 4, Clause 4)**

#### **4.6 Water and Wastewater Reserves and Reserve Funds Review**

The Audit Committee had before it a report (September 4, 2003) from the Auditor General respecting Water and Wastewater Reserves and Reserve Funds Review, and recommending that:

- (1) the Chief Financial Officer and Treasurer:
  - (a) report to Audit Committee by December 31, 2003, on closing those Water and Wastewater reserves and reserve fund accounts where amounts have been depleted and future funding is not anticipated; and
  - (b) clearly define the purpose and usage of the Water and Wastewater reserve funds;
- (2) the Chief Financial Officer and Treasurer record the budgeted contributions to reserve funds from the Operating Fund and fund Capital Expenditures from the reserve funds on a quarterly basis with an adjustment to the reserve funds at year-end for the annual operating surplus or deficit; and
- (3) this report be forwarded to the Policy and Finance Committee for information.

On motion by Councillor Walker, the Audit Committee recommended the adoption of the report (September 4, 2003) from the Auditor General.

**(Report No. 4, Clause 5)**

**4.7 TradeLink Toronto, Economic Development, Culture and Tourism**

The Audit Committee had before it a report (September 3, 2003) from the Auditor General respecting TradeLink Toronto, Economic Development, Culture and Tourism, and recommending that:

- (1) the Commissioner of Economic Development, Culture and Tourism determine and report to the Economic Development and Parks Committee by March 2004 on:
  - the existing needs and potential opportunities in the City respecting trade show and export development, or other related economic activities;
  - whether these needs and opportunities can be effectively and efficiently met by TradeLink Toronto, or by the existing structure within Economic Development Division without TradeLink Toronto;
  - the rationale of continuing the partnership with Centennial College respecting the export training programs; and
  - the optimal/alternative uses of TradeLink Toronto's facilities at the National Trade Centre; and
- (2) this report be forwarded to Economic Development and Parks Committee for consideration.

The Audit Committee also had before it a report (September 10, 2003) from the Commissioner of Economic Development, Culture and Tourism, responding to the Auditor General's review of TradeLink Toronto and recommending that:

- (1) Council adopt the Auditor General's report and request the Commissioner of Economic Development, Culture & Tourism to report to Economic Development and Parks Committee by March 24, 2003 on the issues identified in the Auditor General's report; and
- (2) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

On motion by Councillor Walker, the Audit Committee recommended to the Economic Development and Parks Committee that the Commissioner of Economic Development,

Culture and Tourism determine and report to the Economic Development and Parks Committee and the Audit Committee by March 24, 2004 on:

- (1) the existing needs and potential opportunities in the City respecting trade show and export development, or other related economic activities;
- (2) whether these needs and opportunities can be effectively and efficiently met by TradeLink Toronto, or by the existing structure within Economic Development Division without TradeLink Toronto;
- (3) the rationale of continuing the partnership with Centennial College respecting the export training programs; and
- (4) the optimal/alternative uses of TradeLink Toronto's facilities at the National Trade Centre.

(Letter sent to: Economic Development and Parks Committee; c: Commissioner of Economic Development, Culture and Tourism; Auditor General - October 14, 2003)

**(Report 4, Clause 9(b))**

**4.8 Outstanding Receivables – Impact on the Tax Levy**

The Audit Committee had before it a report (August 19, 2003) from the Auditor General respecting Outstanding Receivables - Impact on the Tax Levy.

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

(Letter sent to: Auditor General - October 14, 2003)

**(Report No. 4, Clause 9(c))**

**4.9 Implementation of City Auditor's Recommendations - Consolidated Grants Budget Grant Programs**

The Audit Committee had before it a joint report (September 3, 2003) from Commissioner of Community and Neighbourhood Services and the Commissioner of Economic Development, Culture and Tourism respecting Implementaiton of City Auditor's Recommendations - Consolidated Grants Budget Grant Programs, and recommending that:

- (1) this report be referred to the Grants Sub Committee and all Standing Committees for their information; and

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

On motion by Councillor Balkissoon, with Councillor Walker in the Chair, the Audit Committee recommended that:

- (1) the joint report (September 3, 2003) from Commissioner of Community and Neighbourhood Services and the Commissioner of Economic Development, Culture and Tourism, be adopted in principle; and
- (2) the Auditor General address the response in his follow-up audit.

**(Report No. 4, Clause 6)**

#### **4.10 Inventory of City Facilities Managed or Operated by Outside Groups**

The Audit Committee had before it a joint report (August 15, 2003) from Chief Administrative Officer and the Commissioner of Corporate Services respecting Inventory of City Facilities Managed or Operated by Outside Groups.

On motion by Councillor Walker, the Audit Committee received the joint report for information.

(Letter sent to: Chief Administrative Officer; Commissioner of Corporate Services; c: Auditor General - October 14, 2003)

**(Report No. 4, Clause 9(d))**

#### **4.11 Boards of Management for Community Centres**

The Audit Committee had before it a report (September 4, 2003) from the Commissioner of Community and Neighbourhood Services respecting Boards of Management for Community Centres.

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

(Letter sent to: Commissioner of Community and Neighbourhood Services; c: Auditor General - October 14, 2003)

**(Report No. 4, Clause 9(e))**

**4.12 Status of the Implementation of the City Auditor's 2000 Report on Toronto Police Service Overtime and Premium Pay**

The Audit Committee had before it a communication (August 11, 2003) from Acting Chair, Toronto Police Services Board respecting Status of the Implementation of the City Auditor's 2000 Report on Toronto Police Service Overtime and Premium Pay.

On motion by Councillor Walker, the Audit Committee received the communication.

(Letter sent to: Acting Chair, Toronto Police Services Board; c: Auditor General - October 14, 2003)

**(Report No. 4, Clause 9(f))**

**4.13 Ernst & Young Audit Results -Year Ended December 31, 2002 – Toronto Public Library Board and Trust Funds of the Toronto Public Library Board**

The Audit Committee had before it a report (July 2, 2003) from the City Librarian respecting Ernst & Young Audit Results -Year Ended December 31, 2002 – Toronto Public Library Board and Trust Funds of the Toronto Public Library Board.

On motion by Councillor Walker, the Audit Committee recommended that the Audit Results and Management Responses for the Year Ended December 31, 2002 for the Toronto Public Library Board and for the Trust Funds of the Toronto Public Library Board be received for information.

**(Report No. 4, Clause 7)**

**4.14 Recommendations of Audit Committee - Arena Boards**

The Audit Committee had before it a communication (July 18, 2003) from the City Clerk, ABC Ad Hoc Committee, addressed to the Policy and Finance and Audit Committees, advising of the ABC Ad Hoc Committee's action of July 18, 2003 respecting Recommendations of Audit Committee - Arena Boards, and forwarding the report (June 10, 2003) from the Chief Administrative Officer to the Audit Committee for information

On motion by Councillor Walker, the Audit Committee received this matter for information.

(Letter sent to: Auditor General; c: Chief Administrative Officer; City Clerk, The ABC Ad Hoc Committee - October 14, 2003)

**(Report No. 4, Clause 9(g))**

**4.15 Response to City Auditor's November 2002 Follow Up Report - Food Safety Program**

The Audit Committee had before it a communication (July 16, 2003) from the Secretary, Board of Health, advising of the Board of Health' action of July 14, 2003 respecting Response to City Auditor's November 2002 Follow Up Report - Food Safety Program, and forwarding the report (June 30, 2003) from the Medical Officer of Health for consideration.

On motion by Councillor Walker, the Audit Committee received the communication.

(Letter sent to: Auditor General; c: Medical Officer of Health; Jane Speakman, Legal Services; Secretary, Board of Health - October 14, 2003)

**(Report No. 4, Clause 9(h))**

**4.16 Audit Report on the Federally Funded Supporting Communities Partnership Initiative (SCPI) – 2002/03**

The Audit Committee had before it a communication (September 8, 2003) from the City Clerk, Community Services Committee, advising of the Committee's action of September 8, 2003 respecting Audit Report on the Federally Funded Supporting Communities Partnership Initiative (SCPI) - 2002/03 and forwarding the report (August 20, 2003) from the Commissioner, Community and Neighbourhood Services for information

On motion by Councillor Walker, the Audit Committee received the communication.

(Letter sent to: Auditor General; c: Commissioner of Community and Neighbourhood Services; City Clerk, Community Services Committee; General Manager, Shelter, Housing and Support - October 14, 2003)

**(Report No. 4, Clause 9(i))**

**4.17 SAP Financial and Human Resources/Payroll Information Systems – Post Implementation Review – Status of Recommendations**

The Audit Committee had before it a joint report (September 9, 2003) from Chief Financial Officer and Treasurer and the Commissioner of Corporate Services respecting SAP Financial and Human Resources/Payroll Information Systems – Post Implementation Review – Status of Recommendations, and recommending that:

- (1) the report, SAP Financial and Human Resources/Payroll Information Systems – Post Implementation Review – Status of Recommendations, be forwarded to the Policy and Finance Committee for information.

- (2) the 2003 operating budget for SAP maintenance fees in the amount of \$1,840,000 be transferred from the Finance Department, Accounting Services Division to the Corporate Services, Information & Technology Division.

On motion by Councillor Balkissoon, with Councillor Walker in the Chair, the Audit Committee referred the joint report, together with the report dated August, 2003 from the Chief Financial Officer and Treasurer cited in the joint report, to the Auditor General for review and report to the Audit Committee at its first meeting in 2004.

(Letter sent to: Auditor General; c: Chief Financial Officer and Treasurer; Commissioner of Corporate Services - September 19, 2003)

**(Report No. 4, Clause 9(j))**

**4.18 Performance Evaluation of Auditor General**

On motion by Councillor Walker, the Audit Committee, in accordance with the Municipal Act, adjourned to meet in camera to conduct a performance evaluation of the Auditor General, as the subject dealt with personal matters about an identifiable individual, including municipal or local board employees.

On motion by Councillor Walker, the Audit Committee:

- (1) received the confidential communication (September 15, 2003) from the Auditor General, addressed to the Chair, Audit Committee;
- (2) conducted a performance evaluation of the Auditor General from January 1, 2002 to date; and
- (3) requested its Chair to forward the results of its confidential discussions to all Members of Council under confidential cover.

(Letter sent to: Auditor General - October 14, 2003)

**(Report No. 4, Clause 9(a))**

The Committee adjourned at 11:35 a.m.

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Chair

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Attendance:

September 16, 2003	9:30 a.m. – 10:35 a.m.	In Camera 10:35 a.m. - 11:30 a.m.	11:30 a.m. - 11:35 a.m.
Balkissoon (Chair)	X	X	X
Jones (Vice-Chair)			
Ford	X	X	X
Kelly	X	X	X
Walker	X	X	X

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