



AUDITOR GENERAL'S REPORT ACTION REQUIRED

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

Date:	May 11, 2016
To:	The Board of Directors of The Hummingbird (Sony) Centre for the Performing Arts
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

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 status of the implementation of the audit recommendations included in the report entitled "Review of the Redevelopment of the Sony Centre for the Performing Arts" dated April 24, 2014.

The Sony Centre audit report contained 12 recommendations. To date, five of these recommendations have been fully implemented. Seven recommendations have not been fully implemented, six of which have been deferred pending completion of the transition to Civic Theatres Toronto and consolidation of the operations of the City's three current civic theatres into a single organization.

Audit recommendations that have been fully implemented are listed in Attachment 1. Audit recommendations that have not been fully implemented, together with management's comments and action plan, are included in Attachment 2. These recommendations will be carried forward to our next follow-up audit.

RECOMMENDATIONS

The Auditor General recommends that:

1. The Board of Directors of The Hummingbird (Sony) Centre for the Performing Arts receive this report for information.

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.

In accordance with the Auditor General's Work Plan, we have reviewed the status of outstanding audit recommendations from the April 24, 2014 Sony Centre audit report. 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 with a written response regarding the implementation status of each audit recommendation. Where management indicates that recommendations have been implemented, audit work was conducted by audit staff to ensure the accuracy of management assertions. Where management indicates that recommendations have not been implemented, no audit work is performed and the audit recommendation is carried forward to the next follow-up audit.

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 (April 2014)	12	2	-	3	7	-

Audit recommendations that have been fully implemented are listed in Attachment 1. Audit recommendations that have not been fully implemented, together with management's comments and action plan, are included in Attachment 2. These recommendations will be carried forward to our next follow-up audit.

The Auditor General's April 2014 Review of the Redevelopment of the Sony Centre for the Performing Arts identified that the budget for interior renovations and capital maintenance of the Sony Centre building increased from \$15 million to \$35 million. The \$15 million renovation cost was estimated based on building condition assessments conducted prior to the redevelopment.

The actual renovations took place in 2009 and 2010 and included additional elements that were not contemplated in the assessments. Previous management prioritized these new elements over items in the building condition assessment which they deemed unnecessary at the time. According to the 2016 Capital Budget submission to City Council, *“even though the Theatre underwent extensive renovations, these renovations concentrated on renewal of interior finishes and refurbishments and did not deal with required structural upgrades identified in the 1997 and 2006 Building Condition Audits.”*

The Sony Centre's current management team could not comment on items from prior building condition assessments that were included or omitted from the redevelopment. However, in an effort to accurately identify any remaining capital works that were not addressed during the redevelopment as well as new requirements going forward, in 2015, the Sony Centre commissioned a new assessment of the current condition of the building and its systems.

The 2015 Building Condition Assessment (BCA) identified that \$33.2 million in capital funding is needed for immediate repair needs and ongoing capital renewal items. According to the Sony Centre's 2016 – 2025 Capital Budget and Plan submission:

- \$11.5 million in projects that have been deemed critical or not yet completed are included in the 10-Year Capital Plan. All these projects are to be funded by City debt.
- An additional \$15.9 million in projects have not been included in the 10-Year Capital Plan due to debt affordability constraints. These projects will be further reviewed by Sony Centre management in 2016 to determine critical projects that must be funded going forward.
- \$5.8 million in minor capital work will be funded through the Sony Centre's Operating Budget using the ticket surcharge revenue.

It is important to note that some of the project areas identified in the 2015 BCA are areas identified in previous building condition audits and/or areas that were to have been completed as part of the redevelopment. To support transparency of and accountability for capital spending, the Board should be kept aware of the repairs that were previously completed and why additional spending is needed for projects in the same areas. This

information enables the Board to ensure capital funding is used appropriately and in accordance with its intended purpose.

Management advised that going forward, all costs, past and present, will be considered as each project from the 2015 BCA is brought forward for consideration.

Next Steps

A consolidated report on the results of the implementation status of all recommendations that relate to City's Agencies and Corporations will be issued by the Auditor General and tabled at the June meeting of the City's Audit Committee. The status of the implementation of the Sony Centre's recommendations will be included in that report.

CONTACT

Ina Chan, Assistant Auditor General, Auditor General's Office
Tel: 416-392-8472, Fax: 416-392-3754, E-mail: ichan3@toronto.ca

Niroshani Movchovitch, Audit Manager, Auditor General's Office
Tel: 416-392-8477, Fax: 416-392-3754, E-mail: nmovcho@toronto.ca

SIGNATURE

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:

- (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.
- (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.
- (7) 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:
 - a. Explanations for why work originally anticipated was omitted from the redevelopment;
 - b. Identification of required and optional lifecycle maintenance works that have been included in the current 10-year Capital Plan; and
 - c. Estimates of the cost to complete the remaining work.

**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:

No.	Recommendation	Management’s Comments and Action Plan/Time Frame
(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.	The operating agreement is being reviewed as part of the activities underway as part of the transition to the new Civic Theatres Toronto board and wind down of the Sony Centre.
(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 is underway and is proceeding as part of the transition to Civic Theatres Toronto.

No.	Recommendation	Management's Comments and Action Plan/Time Frame
(5)	<p>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.</p>	<p>This action will proceed as part of the Civic Theatres Toronto arrangement.</p>
(8)	<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"> a. Acceptable methods of procurement including appropriate dollar value thresholds for requiring open, competitive procurement; b. Circumstances where sole sourcing is allowed and the reporting requirements and authorizations required to approve sole source awards; c. Approval authorities required where purchases exceed previously authorized commitment levels; and d. The level of documentation required to be retained in support of procurement decisions. 	<p>Sony Centre will work with the City to ensure an appropriate procurement and tendering policy is developed for all future capital projects as part of the Civic Theatres Toronto reorganization, whereby all policies and procedures will be reviewed and updated.</p>

No.	Recommendation	Management's Comments and Action Plan/Time Frame
(9)	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.	Sony Centre will work with the City to ensure an appropriate procurement and tendering policy is developed for all future capital projects as part of the Civic Theatres Toronto reorganization, whereby all policies and procedures will be reviewed and updated.
(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."	Sony Centre will work with the City to ensure an appropriate procurement and tendering policy is developed for all future capital projects as part of the Civic Theatres Toronto reorganization, whereby all policies and procedures will be reviewed and updated.
(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.	The Accounting Services Division has confirmed that it will initiate the implementation of this recommendation beginning with the review of the 2015 Financial Statements.