



REPORT FOR ACTION

Invest Toronto Inc. – Results of Follow-up of Previous Audit Recommendations

Date: May 9, 2017

To: The Board of Directors of Invest Toronto Inc.

From: Auditor General

Wards: All

SUMMARY

The Auditor General's Office conducts an annual follow-up review on 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 "Operational Review of Invest Toronto Inc." dated December 3, 2014.

The audit report was presented to the Invest Toronto Inc. Board of Directors on April 8, 2015, to the City's Audit Committee on May 22, 2015 and to City Council at its meeting of June 10, 2015.

On July 12, 2016, City Council approved the City of Toronto's participation in a new regional Foreign Direct Investment attraction agency named "Toronto Global". City Council directed that the business and affairs of Invest Toronto be wound up after an orderly transition to Toronto Global.

(<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.15>)

RECOMMENDATIONS

The Auditor General recommends that:

1. The Board of Directors of Invest Toronto Inc. receive this report for information.

FINANCIAL IMPACT

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

Invest Toronto's annual operating costs were about \$2.7 million of which the City-owned Corporation, Toronto Port Lands Company, provided almost all the funding through a grant. This funding arrangement was established when Invest Toronto was formed in 2009. With the completion of the transition to Toronto Global, these grant amounts will not be needed.

Under the current municipal funding agreement with Toronto Global, the City of Toronto will contribute approximately \$0.9 million annually. This amount is included in the Economic Development and Culture 2017 Operating Budget and is funded by dividends received from the Toronto Port Lands Company.

Therefore, it is expected that the City will benefit from annual cost savings of approximately \$1.8 million from the transition to Toronto Global.

DECISION HISTORY

The results of the Auditor General's Operational Review of Invest Toronto Inc. was presented to the Invest Toronto Inc. Board of Directors on April 8, 2015, to the City's Audit Committee on May 22, 2015 and to City Council at its meeting of June 10, 2015. The audit report is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU2.3>

This is our second follow-up review of the implementation status of recommendations contained in that report. The results of our first follow-up review is available at:

<http://www.toronto.ca/legdocs/mmis/2016/au/bgrd/backgroundfile-94492.pdf>

ISSUE BACKGROUND

The follow-up of outstanding recommendations is required by Government Auditing Standards. Following up on outstanding recommendations from previous audit reports is important as it ensures that management has taken appropriate action to implement the recommendations. The Auditor General reports to the Board of Directors and the City's Audit Committee each year on the implementation status of outstanding recommendations.

In accordance with the Auditor General's Work Plan, we have completed a review of the status of outstanding audit recommendations from the December 3, 2014 Invest Toronto Inc. 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 not been implemented, no audit work is performed and the audit recommendations are carried-forward to the next follow-up review.

Table 1 represents the results of our follow-up on audit recommendations for Invest Toronto Inc.

Table 1: Results of the Current Review

Report Title and Date	Total No. of Recs.	Previously Reported as Fully Implemented	Results of Current Review		
			Fully Implemented	Not Fully Implemented	Not Applicable
Operational Review of Invest Toronto Inc.	2	0	1	0	1

Recommendations that are fully implemented are listed in Attachment 1.

Recommendations that are no longer relevant, together with management's comments, are listed in Attachment 2.

In addition, at the completion of the 2014 audit, a separate letter was issued to management. The letter contained recommendations that related to opportunities for minor administrative improvements. Management has advised that these recommendations have been considered as part of the transition of operations to Toronto Global. Now that Invest Toronto operations have been transitioned to Toronto Global, the Auditor General will not perform any further follow-up work on the recommendations contained in the letter.

A consolidated report on the implementation status of outstanding recommendations from previous audit reports that relate to the 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 implementation status of the audit recommendations from the "Operational Review of Invest Toronto Inc." dated December 3, 2014 will be included in that report.

CONTACT

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SIGNATURE

Beverly Romeo-Beehler
Auditor General

ATTACHMENTS

Attachment 1: Audit Recommendations – Fully Implemented

Attachment 2: Audit Recommendations – No Longer Relevant

**INVEST TORONTO INC.
AUDIT RECOMMENDATIONS – FULLY IMPLEMENTED**

Report Title: Operational Review of Invest Toronto Inc.
Report Date: 12/03/2014

No.	Recommendation
01	<p>City Council request the City Manager, in consultation with the General Manager, Economic Development and Culture, to report through the Economic Development Committee by June 2015 on the recommended approach for the City's efforts to promote Toronto as an investment destination. Such a report to address:</p> <p>The advantages and disadvantages of a regional economic development agency including any impacts on the operations of the City and/or its economic development corporations, specifically Invest Toronto, Build Toronto, and Toronto Port Lands Company; and</p> <p>The recommended levels of City funding for foreign direct investment promotion and attraction activities, giving consideration to the opportunity for cost savings and operational efficiencies through integration of Invest Toronto's activities into a regional investment promotional agency and/or the Economic Development and Culture Division.</p>

**INVEST TORONTO INC.
AUDIT RECOMMENDATIONS – NO LONGER RELEVANT**

Report Title: Operational Review of Invest Toronto Inc.
Report Date: 12/03/2014

No.	Recommendation	Management's Comments and Action Plan / Time Frame
(2)	Subject to any decisions or actions taken in the implementation of recommendation #1 above, City Council request the applicable organization(s) responsible for investment promotion and attraction activities for Toronto to submit a 3-year rolling strategic plan to the City. The City Manager be requested to forward the plan to the Executive Committee and/or Economic Development Committee for information	<p>The new regional investment attraction agency will be developing a strategic plan which will have the input and be forwarded to all funding partners. With the selection of the Board of Directors for Toronto Global by the Mayors and Chairs Strategy Council being finalized on April 24th 2017, a full complement of 15 Board members will undertake the strategic planning process. Consultation and involvement will include all three levels of government and the Mayors and Chairs.</p> <p>On March 9th 2017 the 2017/18 Annual Business Plan for Toronto Global was provided to the EDO (Economic Developer Officer's Management Council). Incorporating comments and suggestions from the EDO's a revised plan was then finalized and sent to EDO Management Council on April 12th 2017. The City of Toronto is represented on the EDO Management Council by the General Manager, Economic Development and Culture and/or Director, Business Growth Services, Economic Development & Culture or their designate. The updated business plan was provided to the new board of Directors on April 27th 2017.</p> <p>These actions are consistent with recommendations adopted by City Council at its meeting on July 12, 2016.</p>