



## REPORT FOR ACTION

# Sony Centre for the Performing Arts – 2017 Results of Follow-up of Previous Audit Recommendations

**Date:** May 24, 2017

**To:** The Board of Directors of the Hummingbird (Sony) Centre for the Performing Arts

**From:** Auditor General

**Wards:** All

## SUMMARY

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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 audit report was presented to the Board of Directors of the Hummingbird (Sony) Center for Performing Arts on April 24, 2014, to the City's Audit Committee on May 28, 2014 and to City Council at its meeting of June 10, 2014.

The April 2014 audit report contained 12 recommendations. In our prior follow-up reviews, we determined that five recommendations had been fully implemented. During the current follow-up process, one additional recommendation has been assessed as fully implemented. This recommendation is listed in Attachment 1.

The implementation of the remaining six audit recommendations is dependent upon 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 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 review.

## RECOMMENDATIONS

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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**

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The implementation of recommendations in this report will enhance Board oversight, improve existing policies and procedures, and strengthen management and administrative controls at the Sony Centre. The extent of any resources required or potential cost savings resulting from implementing the recommendations in this report are not determinable at this time.

## **DECISION HISTORY**

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The results of the Auditor General's review of the Redevelopment of the Sony Centre for the Performing Arts was presented to the Board of Directors of the Hummingbird (Sony) Center for Performing Arts on April 24, 2014, to the City's Audit Committee on May 28, 2014 and to City Council at its meeting of June 10, 2014. The audit report is available at:

<http://www.toronto.ca/legdocs/mmis/2014/au/bgrd/backgroundfile-69062.pdf>

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

<http://www.toronto.ca/legdocs/mmis/2016/au/bgrd/backgroundfile-94490.pdf>

## **ISSUE BACKGROUND**

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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 April 24, 2014 audit report on the Redevelopment of the Sony Centre.

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

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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 is 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 recommendations are carried forward to the next follow-up review.

Table 1 represents the results of our current follow-up on audit recommendations for the Review of the Redevelopment of the Sony Centre for the Performing Arts.

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 |
| Review of the Redevelopment of the Sony Centre for the Performing Arts | 12                 | 5  | 1                         | 6                     | 0              |

Of the total 12 recommendations in the audit report, five recommendations had been assessed as fully implemented during previous follow-up reviews. In the current follow-up process, one additional recommendation has been assessed as fully implemented. This recommendation is listed in Attachment 1.

Recommendations that are not fully implemented, together with management's comments and action plan, are included in Attachment 2 and will be carried forward to our next follow-up review. The implementation of the remaining six audit recommendations is dependent upon 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.

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 “Review of the Redevelopment of the Sony Center of Performing Arts” dated April 24, 2014 will be included in that report.

## **CONTACT**

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## **SIGNATURE**

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Beverly Romeo-Beehler  
Auditor General

## **ATTACHMENTS**

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Attachment 1: Sony Centre for the Performing Arts, Audit Recommendations – Fully Implemented

Attachment 2: Sony Centre for the Performing Arts, Audit Recommendations – Not Fully Implemented

## **Attachment 1**

### **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: 04/24/2014**

**No. Recommendation**

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.

## Attachment 2

### 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: 04/24/2014**

| <b>No.</b> | <b>Recommendation</b>  | <b>Management's Comments and Action Plan / Time Frame</b>  |
|------------|--|--|
| 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.<br><br>Time Frame: Q4, 2018   |
| 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.<br><br>Time Frame: Q4, 2018   |
| 5.         | 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.  | The action will proceed as part of the Civic Theatre Toronto arrangement.<br><br>Time Frame: Q4, 2018  |
| 8.         | 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:<br><br>a. Acceptable methods of procurement including appropriate dollar value thresholds for requiring open, competitive procurement; | 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.<br><br>Time Frame: Q3, 2017 |

| No. | Recommendation   | Management's Comments and Action Plan /<br>Time Frame   |
|-----|--|---|
|     | <p>b. Circumstances where sole sourcing is allowed and the reporting requirements and authorizations required to approve sole source awards;</p> <p>c. Approval authorities required where purchases exceed previously authorized commitment levels; and</p> <p>d. The level of documentation required to be retained in support of procurement decisions.</p> |   |
| 9.  | <p>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.</p>                        | <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> <p>Time Frame: Q4, 2017</p> |
| 10. | <p>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".</p>  | <p>Sony Centre will work with the City to ensure an appropriate donation policy is developed as part of the Civic Theatres Toronto reorganization, whereby all policies and procedures will be reviewed and updated.</p> <p>Time Frame: Q4, 2018</p>  |