

## **Sony Centre for the Performing Arts – 2018 Results of Follow-up of Previous Audit Recommendations**

**Date:** May 10, 2018

**To:** Finance, Audit and Risk Management Committee of the Board of Directors of Civic Theatres Toronto

**From:** Auditor General

**Wards:** All

### **SUMMARY**

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On an annual basis, the Auditor General reviews the implementation status of outstanding audit recommendations and reports the results to City Council through the Audit Committee.

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) Centre for the 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 six recommendations had been implemented. During the current follow-up process, management reported that the remaining six recommendations are not fully implemented.

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

### **RECOMMENDATIONS**

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The Auditor General recommends that:

1. The Finance, Audit and Risk Management Committee receive this report for information and forward the report to the Board of Directors of Civic Theatres Toronto.

## **FINANCIAL IMPACT**

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

## **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) Centre for the 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 fourth follow-up review on the audit report.

The results of our previous follow-up review is available at:

<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-105100.pdf>

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

<https://www.toronto.ca/legdocs/mmis/2015/au/bgrd/backgroundfile-81443.pdf>

The Auditor General conducts an annual follow-up review to determine whether management has implemented recommendations in audit reports issued. The follow-up review is part of the Auditor General's Annual Work Plan.

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.

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	Total No. of Recs.	Outstanding From Previous Follow-up Review	Results of Current Review		
			Fully Implemented	Not Fully Implemented	Not Applicable
Review of the Redevelopment of the Sony Centre for the Performing Arts	12	6	0	6	0

Of the total 12 recommendations in the audit report, six recommendations had been assessed as fully implemented during previous follow-up reviews. In the current follow-up process, management stated that the remaining six recommendations are not fully implemented.

Recommendations that are not fully implemented, together with management's comments and action plan, are included in Attachment 1 and will be carried forward to our next follow-up review.

We will include the results of this follow-up review in a consolidated report to the City Audit Committee in July 2018. The consolidated report will include a summary of our review of outstanding recommendations for all City Agencies and Corporations.

## **CONTACT**

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Ina Chan, Assistant Auditor General

Tel: 416-392-8472, Fax: 416-392-3754, E-mail: [Ina.Chan@toronto.ca](mailto:Ina.Chan@toronto.ca)

Akrivi Nicolaou, Audit Manager

Tel: 416-392-0057, Fax: 416-392-3754, E-Mail: [Akrivi.Nicolaou@toronto.ca](mailto:Akrivi.Nicolaou@toronto.ca)

## **SIGNATURE**

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Beverly Romeo-Beehler  
Auditor General

## **ATTACHMENT**

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Attachment 1: Sony Centre for the Performing Arts, Audit Recommendations – Not Fully Implemented

## SONY CENTRE FOR THE PERFORMING ARTS, AUDIT RECOMMENDATIONS – NOT FULLY IMPLEMENTED

**Report Title:** Review of the Redevelopment of the Sony Center of Performing Arts  
**Report Date:** 4/24/2014

Rec. No.	Recommendation	Management Comments
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 on hold pending a review the governance structure of ABCs being undertaken by the City Manager's office.  Timeframe: unknown
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.  Timeframe: Draft June 2018, final December 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.	This action will proceed as part of the Civic Theatres Toronto arrangement.
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:  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	CTT 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. The Procurement Policy is under final review at this time before proceeding to Board for approval.  Timeframe: Q3 2018

Rec. No.	Recommendation	Management Comments
	d. The level of documentation required to be retained in support of procurement decisions.	
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.	<p>CTT 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>A compliance review/audit is planned for the fall of 2018 with the assistance of the City of Toronto internal audit department.</p>
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".	<p>CTT is working 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>Timeframe for completion: Spring 2018</p>