

MINUTES of the public portion of the Finance, Audit and Risk Management Committee Meeting of the Toronto Waterfront Revitalization Corporation held at the Offices of Toronto Waterfront Revitalization Corporation, 20 Bay Street, Suite 1310, Toronto, Ontario on Thursday, March 12, 2009 at 8:00 a.m., local time.

PRESENT: Janet Graham, Chair  
Kevin Garland  
David Johnson

The following additional persons were in attendance throughout the meeting or only for particular business items as noted in these minutes: John Campbell, President and CEO, Robert Siddall, Chief Financial Officer, Lisa Taylor, Corporate Controller, and Sandra Tran, Director, Finance & Enterprise Risk Management.

Also in attendance were Paula Jesty and Gordon Penley of Deloitte & Touche LLP (“Deloitte”).

The Chair, Janet Graham, took the chair and with the consent of the Committee members, appointed Ann Landry to act as secretary of the meeting.

The Chair declared that a quorum of Committee Members was present and that notice of the meeting having been duly sent to all Committee Members in accordance with the Corporation’s By-laws, the meeting was duly called and regularly constituted for the transaction of business.

## **1. Minutes – September 30, 2008**

The minutes of the public portion of the September 30, 2008 meeting of the Finance, Audit and Risk Management (“FARM”) Committee were tabled, and **ON MOTION** duly made, seconded and carried, it was **RESOLVED** that the minutes of the public portion of the FARM Committee meeting held on September 30, 2008 be and are hereby approved.

Given that Janet Graham and David Johnson were not members of the Committee at the time of the last meeting (September 30, 2008), it was confirmed that the minutes were also approved by Vivian Dzau (the previous Chair of the Committee) as well as Renato Discenza who were members of the Committee and present at the September 30, 2008 Committee meeting.

## **2. FARM Committee Mandate**

The Chair advised the Committee that she, along with the Robert Siddall, conducted an extensive review of the Committee’s mandate and significant revisions to the mandate were made. She provided the Committee with the rationale behind the revisions and her thoughts on the key responsibilities of the Committee being financial reporting, internal controls, external auditors, internal auditors, government audits, finance and enterprise risk management. The revised format of the mandate is intended to concisely describe the responsibilities of the Committee.

The Committee concurred with the revisions and **ON MOTION** duly made, seconded and carried, it was **RESOLVED** that the FARM Committee Mandate dated March, 2009 be and is hereby approved.

### **3. Internal Audits**

The Chair tabled the issue of internal audits suggesting that, in her opinion, it was not necessary to engage an independent external third party to conduct internal audits for the Corporation. She provided the rationale behind the suggestion emphasizing the following:

- The Corporation's external auditor, Deloitte, should be able to expand their mandate to include compliance testing of significant financial internal controls to enable the Committee to fulfill its responsibilities in terms of assessing the adequacy of financial internal controls which would be more cost effective than paying two external third party organizations to fulfill different mandates on behalf of the Committee and the Corporation.
- The annual budgeted cost of four compliance audits by an independent third party organization is approximately \$200,000. The cost of having Deloitte perform the same function is anticipated to be much less.
- Government audits are conducted on a regular basis and address, among other things, financial internal controls and a report on their findings is provided to the Corporation and the Committee.
- The involvement of three government secretariats in various aspects of the Corporation's operations and required reporting by these secretariats replaces to some degree the work of a third party organization retained to assess the adequacy of financial internal controls.

It was agreed that Deloitte would provide the Corporation with a revised estimate of their annual audit fees to take into consideration compliance testing of financial internal controls and greater reliance on such internal controls, where possible, to replace substantive testing and reporting on the adequacy of such financial internal controls.

Further discussion was not required and **ON MOTION** duly made, seconded and carried, it was **RESOLVED** that the internal audit of financial internal controls for the 2009/2010 fiscal year will be covered by increasing the mandate of the external auditors to include compliance testing of financial internal controls and reporting thereon, subject to Deloitte's revised estimate of their annual audit fees. It was further **RESOLVED** that the Committee will review this arrangement in one year's time.

### **4. 2009/10 Work Plan**

Management tabled a 2009/10 Work Plan and it was agreed that the FARM Committee does not require a formal Work Plan. It was agreed the Committee would approach the Governance Committee to request deletion of the requirement for development of an Annual Work Plan from its Mandate.

## **5. 2009 Proposed Meeting Schedule**

A 2009 meeting schedule was tabled proposing four meetings annually in lieu of the previous practice of having six to eight meetings annually. It was suggested by the Chair and agreed to by the Committee that the revised mandate along with focused agendas at meetings would allow for a condensed meeting schedule while still ensuring that the Committee fulfils its responsibilities. Additional meetings can be scheduled, if required.

## **6. External Auditors' Report**

Paula Jesty advised the Committee that Deloitte completed a review of the statement of financial position of the Corporation as at December 31, 2008 and the statements of financial activities and net assets and of cash flows for the three and nine month periods ended December 31, 2008. She provided the Committee with Deloitte's observations regarding the financial statements, highlighted some of the major transactions and commitments and advised that Deloitte found there to be no material modification required in order for the financial statements to be in accordance with Canadian generally accepted accounting principles.

The external auditors' report was accepted by the Committee.

## **7. Interim Financial Statements**

The interim financial statements for the quarter ending December 31, 2008 were tabled. It was agreed that the financial statements included excess data that was not necessary in order for the Committee and other readers to have a clear understanding of the Corporation's financial position and its results of operations. Management and Deloitte were asked to review the financial statements with a view to enhancing the information being provided while reducing the amount of data being provided. This could result in a reduction in the number of notes or the nature of the dates included in future financial statements.

Discussion ensued and **ON MOTION** duly made, seconded and carried, it was **RESOLVED** that the financial statements for the quarter ending December 31, 2008, be and are hereby approved.

## **8. External Auditors' 2008/09 Audit Plan**

Paula Jesty tabled Deloitte's 2009 audit plan for the audit of the financial statements of the Corporation for the year ending March 31, 2009. She advised that the document outlines Deloitte's planned approach for the fiscal 2009 audit. She further advised that the plan provides information on new accounting developments. Ms. Jesty provided a brief overview of the plan highlighting the following:

- client service objectives;
- financial reporting responsibilities;

- formal auditor responsibilities;
- audit approach;
- client service team;
- areas of audit emphasis; and
- auditor independence.

Ms. Jesty noted the changes made to the FARM Committee Mandate and advised that the plan will be revised to reflect those changes.

## **9. Appointment of External Auditors and Contract Extension**

Mr. Siddall advised the Committee that Deloitte was appointed as the Corporation's external auditor in 2006 for a three year term (fiscal years ending March 31, 2007, 2008 and 2009) which expires March 31, 2009. Mr. Siddall advised that given the specialized nature of the Corporation's business and in light of recent changes in the composition of the Committee and its Chair, changing external auditors, at this time, did not offer a significant benefit. He further advised that management is satisfied with the services received to date and therefore recommends that Deloitte's contract be extended for an additional two years (March 31, 2010 and 2011).

Mr. Siddall advised that Deloitte provided fee quotes for the additional fiscal years but will be revising the quote to reflect the additional work contemplated regarding compliance testing of financial internal controls and reliance thereon.

Further discussion was not required and **ON MOTION** duly made, seconded and carried, it was **RESOLVED** that management's request to appoint Deloitte & Touche LLP to continue as the Corporation's external auditor and to extend their contract for an additional two years ending March 31, 2011, be and is hereby approved for recommendation to the Board subject to Deloitte's revised fee quote.

## **10. Cost Variance Report**

Mr. Siddall tabled the Cost Variance Report which reports on variances in material capital project expenditures as outlined in the Corporation's Capital Approval Policy. He advised that the development of the report was an outstanding action item arising from previous FARM Committee meetings. The Committee applauded the development of this document as it provides a clear and comprehensive overview of the status of capital project expenditures and asked that it be tabled at all future Board meetings. The Committee suggested that the numbers shown in the document reflect the true status of the individual projects with regard to whether or not the project is complete, phased or if there are insufficient funds allocated to allow for completion.

## **11. In Camera Session with External Auditors**

The Chair asked that management and staff leave the meeting for an in-camera session with the auditors. Management returned and the Chair advised that there was nothing to report as a result of the Committee's discussion with the auditors.

## **12. Internal Control Framework**

Mr. Siddall tabled the internal control framework as per the FARM Committee Mandate which states that the Committee will periodically review the adequacy of financial internal controls and provide reports or recommendations to the Board on such adequacy. The Committee suggested that management need only table items dealing with process if the Committee's input is necessary and that reporting should be done on an exception basis only.

## **13. Corporate Budget 2009/10**

Mr. Siddall advised that the proposed 2009/10 Corporate Budget is \$9.9 million including operating and capital costs, net of non-cash items (amortization) and allocations to projects (namely project staff payroll costs). He advised that the proposed budget compares favourably to the budget of \$10.1 million for corporate costs provided for in the Long Term Plan for 2009/10. He further advised that the proposed budget represents a \$0.5 million increase from the prior years' forecast costs and that the key corporate budget components include human resources and payroll, communications, marketing and government relations, office administration, finance and information technology.

The following comments and/or concerns were tabled with regard to the proposed budget:

### *Human Resources and Payroll*

- The increase of \$0.4 million for human resources and payroll was questioned. Management advised that in order to meet the Corporation's goal of relentless implementation, additional full time equivalents ("FTE's") have been engaged resulting in an increase in staff costs.
- Given the present market conditions, the learning and growth budget of \$185,000 seems to be excessive. The objectives of the Corporation were discussed with regard to training and development and it was agreed that the Corporation would take a second look at this budget.

### *Finance*

- The budget for the internal audit function will be decreased to zero for fiscal year 2009/10, compensated by the tri-government audit plan and the fact that the external auditors will be taking a control reliance approach this year.
- Increase the cost for external audit fees to reflect the change in scope.

- Given that the Corporation does not have the power to borrow, the \$100,000 allocated to consulting fees relating to negotiating financing deals can be deleted as well as the \$54,000 for financial consulting related to updated income tax ruling with respect to the Corporation's power to borrow.

*Communications*

- The Committee expressed concern over an increase to the Communications, Marketing and Government Relations ("CMGR") budget of \$332,000 and specifically, the cost associated with the creation of a new web site. Management advised that the increase is largely due to the implementation of the enhanced Communications and Marketing Plan and further advised that many of the costs are one-time expenditures.
- The Committee was not comfortable approving the CMGR budget as tabled without, at least, the benefit of a presentation of the Communications and Marketing Plan scheduled for the March 25, 2009 Board meeting.

Further discussion ensued and the Committee asked that management revise the Corporate Budget to reflect the changes noted and review the Budget again reducing costs where possible. Given the degree of concern with regard to the CMGR budget, the Committee deferred approval of the Corporate Budget and agreed that it be tabled at the March 25, 2009 for Board approval.

**14. Conclusion of the Public Portion of the Meeting**

There being no further business other than matters to be considered in-camera, the Chair indicated that in-camera matters involving advice from legal counsel were then to be considered. The meeting then continued as an in-camera meeting.

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Chair

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Secretary to the Meeting