



**Minutes of the Meeting of the Audit and Risk Management Committee  
Build Toronto Inc.**

**November 23, 2010**

The meeting began at 3:05 p.m.

**Declarations of Interest under the Municipal Conflict of Interest Act and the Ontario Business Corporations Act.**

No interests were declared.

*The Audit and Risk Management Committee agreed the following Agenda items would be held during the Public Section of the meeting: ARM2010-6-4a, Due Diligence Policy; ARM2010-6-6, Enterprise Risk Management Program Update; ARM2010-6-7, 2011 Audit and Risk Management Committee Work Plan and Report Status; ARM2010-6-8, Accounting Policy Plans Update, and; ARM2010-6-10, Independence Policy – Auditors.*

**Approval of the Public Minutes of September 9, 2010, and October 26, 2010**

**On motion by Mike Williams, seconded by Bruce Bowes, the Audit and Risk Management Committee approved the Public Minutes of September 9, 2010, and October 26, 2010.**

**ARM2010-6-4 Update on Due Diligence Policy**

**a) Due Diligence Policy**

The Audit and Risk Management Committee had before it the confidential reports (November 18, 2010 and November 17, 2010) from the Chief Operating Officer & Executive Vice President - Operations, and the Chief Financial Officer & Senior Vice President, Build Toronto, entitled "Due Diligence Process" and "Due Diligence Process Comments", on matters to be considered in the closed part of the meeting under By-law No. 1 of the Corporation, as they relate to the security of the Corporation's property.

*Daniel D'Archivio, Partner - Audit and Assurance Group, Holly V. Allen, Partner - Corporate Advisory & Restructuring, and Gavin F. McIntosh, Vice President – Deals, PricewaterhouseCoopers LLP (PWC), joined the meeting.*

*The Asset Manager, Build Toronto, advised that an RFP process was held, due to the comments received from the Committee over the past several months regarding the Due Diligence Acquisitions Manual and the Property Capital Transaction Procedures Manual. The Chief Financial Officer and Senior Vice President, Build Toronto, advised that the Audit and Risk Management Committee would be provided in future with documentation of the RFP process and the selection of PWC.*

*Daniel D'Archivio of PWC reviewed the recommendation document (November 17, 2010), entitled "Build Toronto Inc., Due Diligence Process Comments", for consideration by the Audit and Risk Management Committee. PWC provided a Process Flow (Appendix 1) for consideration, to assist users in managing documentation and control processes efficiently, and in identifying potential key risks. He indicated this is a dynamic, fulsome document, which will have to be used judiciously as the environment and transaction requires, and must be combined with management's expertise and knowledge. He indicated it would need continuous amendment over time as Build Toronto evolves.*

*Regarding document retention, the Chief Financial Officer and Senior Vice President, Build Toronto, advised the Committee that BT has an internal Corporate Records Department with an internal Retention Policy.*

*Build Toronto has accepted and implemented most of PWC's suggestions into manuals and procedures, and intends to move forward with the implementation of all suggestions. Any recommendations from PWC not implemented would be included in a report with explanations.*

**On motion by Bruce Bowes, seconded by Mike Williams, the Audit and Risk Management Committee, received, for information, the aforementioned confidential reports (November 18, 2010 and November 17, 2010) from the Chief Operating Officer & Executive Vice President - Operations, and the Chief Financial Officer & Senior Vice President, Build Toronto, and provided their comments to Build Toronto Management, requesting Build Toronto Management bring forward a completed Due Diligence manual at the January 2011 Board Meeting Cycle.**

#### **ARM2010-6-6 Enterprise Risk Management Program Update**

The Audit and Risk Management Committee received a verbal report from the Chief Financial Officer & Senior Vice President, Build Toronto, on a matter to be considered in the closed part of the meeting under By-law No. 1 of the Corporation, as it relates to the security of the Corporation's property.

*The Chief Financial Officer and Senior Vice President, Build Toronto, advised the Audit and Risk Management Committee of the November 22, 2010, meeting with Lori-Ann Beausoleil, Partner – National Real Estate Leader Consulting, and Daniel D'Archivio, Partner - Audit and Assurance Group, PWC. PWC was provided with background information on the structure and evolution of Build Toronto, Toronto Port Lands Company (TPLC) and Invest Toronto. The meeting included discussion on outsourced functions and the critical risks associated with outsourcing, financial/accounting disclosure risks, IT security, due diligence procedures for acquisitions and maximizing internal controls with the current staff size, particularly with Build Toronto's role as an internal share service provider for TPLC and Invest Toronto. Build Toronto raised the need to identify, going forward, joint venturing risks and related processes.*

*PWC is to convene a facilitated workshop with Build Toronto Management to identify and measure risk, developing processes around it. PWC will likely propose a Board of Directors Workshop wherein the Board's risk appetite can be identified. As a result of the workshops, a project plan will be developed with a broader level scope, for follow-up discussion on progress-to-date at the January 2011 Audit and Risk Management Committee Meeting, to be followed by greater detailed scope and activities around each of the various areas which have been identified as priorities. As per the Chief Financial Officer and Senior Vice President, Build Toronto, PWC recognizes the need for this to be completed in a phased approach given the Finance Department's system conversion, and the need to identify critical processes and risks upfront. Target completion date depends upon a Board workshop date and feedback from the Audit and Risk Management Committee.*

*The Chief Financial Officer and Senior Vice President, Build Toronto, will suggest that PWC circulate a survey diagnostic to the Board of Directors, with PWC synthesizing the results, thus providing context for Management. A workable timeline would include a survey diagnostic distributed in December/early January, followed by the facilitated workshop with the Board, which would include the two new Build Toronto Board Members.*

**On motion by Mike Williams, seconded by Bruce Bowes, the Audit and Risk Management Committee received, for information, the confidential verbal report from the Chief Financial Officer & Senior Vice President, Build Toronto.**

**ARM2010-6-7 2011 Audit and Risk Management Committee Work Plan and Report Status**

The Audit and Risk Management Committee had before it the confidential reports (November 16, 2010, and November 17, 2010) from the Chief Financial Officer & Senior Vice President, Build Toronto, entitled "2011 Audit and Risk Management Committee Work Plan and Report Status" and "Build Toronto Mandate Checklist – 2010 Audit Cycle Plan", on matters to be considered in the closed part of the meeting under By-law No. 1 of the Corporation, as they relate to the security of the Corporation's property.

*The Committee Chair requested that the audit cycle start with the beginning of the reporting year and end with the approval of the audited statements. The last column in the calendar is to be shown as the month of May, which is the end of audit cycle. When 2010 is brought to a close, the Mandate Checklist will assist in identifying any mandate items which have not been addressed. The Chief Financial Officer and Senior Vice President, Build Toronto, is to forward an amended version of the chart to the Financial Advisor to the Audit and Risk Management Committee for review, with the approved amended document attached to the Minutes of the meeting.*

**On motion by Bruce Bowes, seconded by Mike Williams, the Audit and Risk Management Committee resolved to refer the reports back to Build Toronto Management for further refinement.**

#### **ARM2010-6-8 Accounting Policy Plans Update**

The Audit and Risk Management Committee received a verbal report from the Chief Financial Officer & Senior Vice President, Build Toronto, on a matter to be considered in the closed part of the meeting under By-law No. 1 of the Corporation, as it relates to the security of the Corporation's property.

*The Chief Financial Officer and Senior Vice President, Build Toronto, advised the Committee that the internal team has continued to research PSAB versus IFRS following the October 26, 2010, meeting with PWC. The team aims to complete the research and develop the Finance Department's recommendation by mid-December 2010 for review with the Executive Management Team, Build Toronto. The Audit and Risk Management Committee will then be advised of the proposed choice, PSAB or IFRS, at the January 2011 Committee meeting. If the Audit and Risk Management Committee is in agreement, the Finance Department will incorporate the proposed standards into the Accounting Policy Manual currently in development for Build Toronto.*

**On motion by Mike Williams, seconded by Bruce Bowes, the Audit and Risk Management Committee received, for information, the confidential verbal report from the Chief Financial Officer & Senior Vice President, Build Toronto.**

#### **ARM2010-6-10 Independence Policy - Auditors**

The Audit and Risk Management Committee received a verbal report from the Chief Financial Officer & Senior Vice President, Build Toronto, on a matter to be considered in the closed part of the meeting under By-law No. 1 of the Corporation, as it relates to the security of the Corporation's property.

*The Chief Financial Officer and Senior Vice President, Build Toronto, advised the Audit and Risk Management Committee on auditor independence. The Auditor General's office, City of Toronto, does not have a stated policy regarding non-audit related advisory services, and directed the Chief Financial Officer and Senior Vice President, Build Toronto, to their broader engagement letter with the City's current auditor, of which the terms and conditions are the same as those within the engagement letter between Build Toronto and its auditor, PWC. Engagement for additional services by the auditor will be subject to a separate engagement letter. Daniel D'Archivio, Partner - Audit and Assurance Group, PWC, advises there are no independence issues with the type of services which Build Toronto has proposed. The Chief Financial Officer and Senior Vice President, Build Toronto, suggested moving forward by implementing engagement letters for various services into the audit plan.*

*It was agreed that a policy, listing the services the Build Toronto auditors could not partake in, was to be created. The Special Advisor to the Committee noted there are many policy examples available. The "generic standards", amended to suit Build Toronto, should be brought forward to the Committee.*

**On motion by Bruce Bowes, seconded by Mike Williams, the Audit and Risk Management Committee received, for information, the confidential verbal report from the Chief Financial Officer & Senior Vice President, Build Toronto, and resolved to request Build Toronto Management develop a Draft Auditor Independence Policy for consideration of the Audit and Risk Management Committee.**

**At 4:53 p.m., on motion by Mike Williams, seconded by Bruce Bowes, the Audit and Risk Management Committee resolved to close part of the meeting to the public to consider the confidential Minutes of the September 9, 2010, and October 26, 2010, Committee meetings, matters that are to be considered in the closed part of the meeting under By-law No. 1 of the Corporation, as they relate to the security of the Corporation's property.**

The Audit and Risk Management Committee resumed its public session at 6:19 p.m.

**ARM2010-6-1 Approval of the In-Camera Minutes of September 9, 2010, and October 26, 2010**

The Audit and Risk Management Committee had before it the confidential Minutes of the September 9, 2010, and October 26, 2010, Committee meetings, on matters that may be considered in a closed part of the meeting under By-law No. 1 of the Corporation as they relate to the Corporation's property.

**At 4:53 p.m., on motion by Mike Williams, seconded by Bruce Bowes, the Audit and Risk Management Committee resolved to close part of the meeting to the public to consider the confidential Minutes of the September 9, 2010, and October 26, 2010, Committee meetings, matters that are to be considered in the closed part of the meeting under By-law No. 1 of the Corporation, as they relate to the security of the Corporation's property.**

The Audit and Risk Management Committee resumed its public session at 6:19 p.m.

**At 6:19 p.m., on motion by Mike Williams, seconded by Bruce Bowes, the Audit and Risk Management Committee resolved to adopt the recommendations from its closed session and direct that these matters remain confidential in accordance with By-law No. 1 of the Corporation, as they relate to the security of the Corporation's property.**

**ARM2010-6-2 Third Quarter Financial Statements**

The Audit and Risk Management Committee had before it the confidential reports (November 25, 2010) from the Chief Financial Officer & Senior Vice President, Build Toronto, entitled "2010 Third Quarter Financial Update", and "2010 Third Quarter Report", on matters to be considered in the closed part of the meeting under By-law No. 1 of the Corporation, as they relate to the security of the Corporation's property.

**At 4:53 p.m., on motion by Bruce Bowes, seconded by Mike Williams, the Audit and Risk Management Committee resolved to close part of the meeting to the public to consider the aforementioned confidential reports (November 25, 2010) from the Chief Financial Officer & Senior Vice President, Build Toronto, on matters that are to be considered in the closed part of the meeting under By-law No. 1 of the Corporation, as they relate to the security of the Corporation's property.**

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**ARM2010-6-3 Insurance Program Update**

The Audit and Risk Management Committee had before it the confidential reports (November 16, 2010, November 8, 2010, August 2010 and November 23, 2010) from the Chief Financial Officer & Senior Vice President, Build Toronto, and the Insurance Consultant, on matters to be considered in the closed part of the meeting under By-law No. 1 of the Corporation, as they relate to the security of the Corporation's property.

**At 4:53 p.m., on motion by Bruce Bowes, seconded by Mike Williams, the Audit and Risk Management Committee resolved to close part of the meeting to the public to consider the aforementioned confidential reports (November 16, 2010, November 8, 2010, August 2010 and November 23, 2010) from the Chief Financial Officer & Senior Vice President, Build Toronto, and the Insurance Consultant, on matters that are to be considered in the closed part of the meeting under By-law No. 1 of the Corporation, as they relate to the security of the Corporation's property.**

The Audit and Risk Management Committee resumed its public session at 6:19 p.m.

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**ARM2010-6-4 Update on Due Diligence Policy**

**b) Environmental Risks**

The Audit and Risk Management Committee had before it the confidential report (November 10, 2010) from the Chief Financial Officer & Senior Vice President, and the Manager – Environmental Services, Build Toronto, entitled "Review of Environmental Status of Properties", on a matter to be considered in the closed part of the meeting under By-law No. 1 of the Corporation, as it relates to the security of the Corporation's property.

**At 4:53 p.m., on motion by Bruce Bowes, seconded by Mike Williams, the Audit and Risk Management Committee resolved to close part of the meeting to the public to consider the aforementioned confidential report (November 10, 2010) from the Chief Financial Officer & Senior Vice President, and the Manager - Environmental Services, Build Toronto, on a matter that is to be considered in the closed part of the meeting under By-law No. 1 of the Corporation, as it relates to the security of the Corporation's property.**

The Audit and Risk Management Committee resumed its public session at 6:19 p.m.

**At 6:19 p.m., on motion by Mike Williams, seconded by Bruce Bowes, the Audit and Risk Management Committee resolved to adopt the recommendations from its closed session and direct that these matters remain confidential in accordance with By-law No. 1 of the Corporation, as they relate to the security of the Corporation's property.**

**ARM2010-6-5 Litigation Update**

The Audit and Risk Management Committee had before it the confidential report (November 16, 2010) from Senior Vice President – Corporate Affairs, and the Chief Financial Officer & Senior Vice President, Build Toronto, and the confidential report (October 22, 2010) from the President and CEO, and the Corporate Secretary and General Counsel, Toronto Port Lands Company, on matters to be considered in the closed part of the meeting under By-law No. 1 of the Corporation, as they relate to the security of the Corporation's property.

**At 4:53 p.m., on motion by Bruce Bowes, seconded by Mike Williams, the Audit and Risk Management Committee resolved to close part of the meeting to the public to consider the aforementioned confidential report (November 16, 2010) from the Senior Vice President – Corporate Affairs, and the Chief Financial Officer & Senior Vice President, Build Toronto, and the confidential report (October 22, 2010) from the President and CEO, and the Corporate Secretary and General Counsel, Toronto Port Lands Company, on matters that are to be considered in the closed part of the meeting under By-law No. 1 of the Corporation, as they relate to the security of the Corporation's property.**

The Audit and Risk Management Committee resumed its public session at 6:19 p.m.

**At 6:19 p.m., on motion by Mike Williams, seconded by Bruce Bowes, the Audit and Risk Management Committee resolved to adopt the recommendations from its closed session and direct that these matters remain confidential in accordance with By-law No. 1 of the Corporation, as they relate to the security of the Corporation's property.**

**ARM2010-6-9 Review of CEO Expenses**

The Audit and Risk Management Committee had before it the confidential report (November 18, 2010) from the Chief Financial Officer & Senior Vice President, Build Toronto, on a matter to be considered in the closed part of the meeting under By-law No. 1 of the Corporation, as it relates to the security of the Corporation's property.

**At 4:53 p.m., on motion by Bruce Bowes, seconded by Mike Williams, the Audit and Risk Management Committee resolved to close part of the meeting to the public to consider the aforementioned confidential report (November 18, 2010) from the Chief Financial Officer & Senior Vice President, Build Toronto, on a matter that is to be considered in the closed part of the meeting under By-law No. 1 of the Corporation, as it relates to the security of the Corporation's property.**

The Audit and Risk Management Committee resumed its public session at 6:19 p.m.

**At 6:19 p.m., on motion by Mike Williams, seconded by Bruce Bowes, the Audit and Risk Management Committee resolved to adopt the recommendations from its closed session and direct that these matters remain confidential in accordance with By-law No. 1 of the Corporation, as they relate to the security of the Corporation's property.**

### Adjournment

**The meeting adjourned at 6:20 p.m.**

### Attendance:

TIME	3:05 p.m. to 4:53 p.m. Public Session	4:53 p.m. to 6:19 p.m. In-Camera Session	6:19 p.m. to 6:20 p.m. Public Session
Chair, David Barry	X	X	X
Bruce Bowes	X	X	X
Blake Hutcheson <i>Ex-Officio</i>	Regrets	X	Regrets
Mike Williams	X	X	X

X Members were present for some or all of the time indicated.

### Also Present:

Ian MacKellar, Financial Advisor to the Audit and Risk Management Committee

J. Lorne Braithwaite, President & Chief Executive Officer

Derek Ballantyne, Chief Operating Officer and Executive Vice President - Operations

John Macintyre, Senior Vice President - Corporate Affairs

Winston Young, Chief Financial Officer & Senior Vice President

Frank Bajt, Asset Management

Rory Roberts, Chairman – Intech Risk Management Inc.

Daniel D'Archivio, Partner, Audit and Assurance Group – PricewaterhouseCoopers LLP


Holly V. Allen, Partner, Corporate Advisory & Restructuring - PricewaterhouseCoopers LLP

Gavin F. McIntosh, Vice President, Deals - PricewaterhouseCoopers LLP

X Members were present for some or all of the time indicated.



Recording Staff: Millie Minas, Recording Secretary, Build Toronto

  
Committee Chair

  
President & Chief Executive Officer