

AGENDA



AUDIT COMMITTEE

THE CORPORATION OF THE CITY OF MISSISSAUGA

MONDAY, NOVEMBER 18, 2013 – 9:00 AM

**COUNCIL CHAMBER, 2ND FLOOR, CIVIC CENTRE,
300 CITY CENTRE DRIVE, MISSISSAUGA, ONTARIO L5B 3C1**
<http://www.mississauga.ca>

Members

Mayor Hazel McCallion
Councillor Jim Tovey, Ward 1
Councillor Pat Mullin, Ward 2 (**Chair**)
Councillor Bonnie Crombie, Ward 5
Councillor Ron Starr, Ward 6

Contact: Carmela Radice, Legislative Coordinator, Office of the City Clerk
905-615-3200 ext. 5426 Fax: 905-615-4181
carmela.radice@mississauga.ca

CALL TO ORDERDECLARATIONS OF (DIRECT OR INDIRECT) PECUNIARY INTERESTMINUTES OF PREVIOUS MEETING

- (a) Draft Minutes of the September 23, 2013 Audit Committee meeting.

Recommend ApprovalAPPROVAL OF THE AGENDADEPUTATIONSMATTERS TO BE CONSIDERED

1. Report dated October 25, 2013 from the Commissioner of Corporate Services and Chief Financial Officer re: **2013 Audit Planning Report**.

Recommendation

1. That the report dated October 25, 2013, from the Commissioner of Corporate Services and Chief Financial Officer with respect to the 2013 Audit Planning Report, be received for information.
2. That the Audit Committee approves the Audit Planning Report (Appendix 1) for the City's 2013 statutory audit.

Recommend Receipt

2. Report dated November 5, 2013 from the Director of Internal Audit re: **Final Audit Report: Corporate Services Department, Information Technology Division – Microsoft Exchange Audit**.

Recommendation

That the report dated November 5, 2013, from the Director of Internal Audit with respect to the Final Audit Report: Corporate Services Department, Information Technology Division – Microsoft Exchange Audit, be received for information.

Recommend Receipt

3. Report dated November 5, 2013 from the City Manager and Chief Administrative Officer re: **Status of Outstanding Audit Recommendations as of September 30, 2013.**

Recommendation

That the report dated November 5, 2013, from the City Manager and Chief Administrative Officer regarding the status of outstanding audit recommendations as of September 30, 2013, be received for information.

Recommend Receipt

4. Report dated November 6, 2013 from the Director of Internal Audit re: **Internal Audit Work Plan for 2014 to 2016.**

Recommendation

That the report dated November 6, 2013 from the Director of Internal Audit with respect to Internal Audit Work Plan for 2014 to 2016, be approved.

Recommend Approval

INQUIRIES

ADJOURNMENT

MINUTES



AUDIT COMMITTEE

THE CORPORATION OF THE CITY OF MISSISSAUGA

MONDAY, SEPTEMBER 23, 2013 – 9:04 AM

**COUNCIL CHAMBER, 2ND FLOOR, CIVIC CENTRE,
300 CITY CENTRE DRIVE, MISSISSAUGA, ONTARIO L5B 3C1
<http://www.mississauga.ca>**

Members Present

Mayor Hazel McCallion (arrived at 9:12 a.m.)
Councillor Pat Mullin, Ward 2 (Chair)
Councillor Bonnie Crombie, Ward 5
Councillor Ron Starr, Ward 6

Members Absent

Councillor Jim Tovey, Ward 1

Staff Present

Janice Baker, City Manager and Chief Administrative Officer
Gary Kent, Commissioner, Corporate Services and Chief Financial Officer
Mark Beauparlant, Manager of Corporate Financial Services
Sally Eng, Director, Internal Audit
Patricia Elliot-Spencer, Director of Finance
Kevin M. Travers, Partner, KPMG, external auditors
Carmela Radice, Legislative Coordinator, Office of the City Clerk

CALL TO ORDER– 9:04 a.m.

DECLARATIONS OF (DIRECT OR INDIRECT) PECUNIARY INTEREST - Nil

MINUTES OF PREVIOUS MEETING

(a) That the Audit Committee minutes of May 6, 2013 be approved as presented.

Approved (R. Starr)

APPROVAL OF THE AGENDA

That the agenda be approved as presented.

Motion: Moved by: B. Crombie

Carried

DEPUTATIONS - Nil

MATTERS TO BE CONSIDERED

1. Report dated September 13, 2013 from the Director, Internal Audit re: **Final Audit Reports: 1. Community Services Department, Library Division – Library Union Payroll Audit 2. Corporate Services Department, Information Technology Division, Planning & Integration Section – IT Hardware Inventory Audit 3. Transportation & Works Department, Transportation Project Office & Business Services Division, Rapid Transit and Parking – Paid Parking Audit**

Sally Eng Director of Internal Audit provided an overview of the Library Division, Library Union Payroll Audit. She indicated that a total of five recommendations resulted from the audit. Management agreed that all recommendations would be completed by September 30, 2013. Councillors Crombie and Starr inquired about the use of the monitoring system and the tracking of employees. Rose Vespa, Director of Library indicated that the libraries are using two monitoring systems. Ms. Eng indicated that the libraries are using the payroll system to track time and attendance.

Heidi Bryck, Audit Associate, provided an overview of the IT Hardware Inventory Audit. Mayor McCallion and Members of the Committee inquired about the departmental procedures, life cycle management of IT Hardware, recording, monitoring and reconciling of IT Hardware in the IT asset management system. Shawn Slack, Director of IT spoke to the rapid changes in technology and that the assets are documented using a tracking record. He further indicated that some of the items that are outdated are donated to the libraries or local schools and any asset that can be reused will be. Ms. Bryck indicated that documenting procedures will be consistently imputed into the IT Asset Management System which will improve the quality of information and assist in reporting and monitoring of the assets. She further indicated that a total of ten recommendations resulted from the audit and management has agreed to all the recommendations and scheduled two for completion by September 30, 2013, four completed by January 1, 2014 and the remaining four recommendations to be completed by March 31, 2014.

Barbara Webster, Senior Internal Auditor provided an overview of Rapid Transit and Parking Paid Parking Audit. Mayor McCallion and Members of the Committee inquired about Precise Parklink Inc. (Precise), requested a meeting with the company and about the processes on termination or transfers of City employees. Members of the Committee inquired about the receipt, sale and tracking of parking passes and multi-visit cards, reporting, monitoring and reconciliation of credit card transactions and the keyscan system. Geoff Wright, Director of Transportation Project indicated that he would arrange for a meeting with Precise and that staff have requested the daily reports from them. He further indicated that the contract with Precise is for seven years and the City is in their fifth year. Janice Baker, City Manager and CAO indicated that there is a process on termination and would need to investigate further on the transfer process. She further indicated that the City would need to present a business case when the contract ended with Precise. Tomasz Brzeziak, Parking Coordinator spoke to the credit card adjustment, cancellation, refund and the payment of credit card revenue questions. Ms. Webster indicated that the City has controls around their business processes although there is a need to tighten some of the controls around the process and it is essential that Precise cooperates. She further indicated that there were 35 recommendations as a result of the audit report. Martin Powell, Commissioner of Transportation and Works, indicated that 80% of the recommendations have been implemented and the remaining 20% will be completed by April 2014 as staff is waiting for Precise to provide information.

Recommendation

AC-0011-2013

That the report dated September 13, 2013 from the Director of Internal Audit with respect to final audit reports:

1. Community Services Department, Library Division – Library Union Payroll Audit,

2. Corporate Services Department, Information Technology Division, Planning & Integration Section – IT Hardware Inventory Audit, and
3. Transportation & Works Department, Transportation Project Office & Business Services Division, Rapid Transit and Parking – Paid Parking Audit be received for information.
4. That Transportation and Works staff be directed to arrange a meeting with Precise.
5. That staff be directed to provide the process on termination or transfer of employees.

Received (R. Starr)

CLOSED SESSION moved by (Mayor McCallion)

Audit Committee moved into Closed Session at 10:24 a.m. Audit Committee moved out of Closed Session at 10:53 a.m. The following recommendation was passed pursuant to the Closed Session:

- (i) The security of the property of the municipality or local board re: **Final Audit Report: Community Services Department, Recreation Division – Mississauga Spectator Arena Complex (Hershey Centre) Management Agreement – Phase 2 Event Revenue Audit.** Mayor McCallion look at having all members of Council be on the Audit Committee.

Paul Mitcham, Commissioner of Community Services provided an update on the Final Audit Report: Community Services Department, Recreation Division – Mississauga Spectator Arena Complex (Hershey Centre) Management Agreement – Phase 2 Event Revenue Audit. Mayor McCallion and Members of the Committee inquired about the Mississauga Spectator Arena Complex (Hershey Centre) Management Agreement – Phase 2 Event Revenue Audit. Stu Taylor, Director Manager of North East, Janice Baker, City Manager and CAO and Mr. Mitcham responded to the inquires.

Recommendation

AC-0012-2012

That the report dated September 13, 2013 from the Director of Internal Audit with respect to final audit report, Community Services Department, Recreation Division – Mississauga Spectator Arena Complex (Hershey Centre) Management Agreement – Phase 2 Event Revenue Audit be received for information.

Approved (R. Starr)

INQUIRIES(a) Audit Committee

Mayor McCallion inquired as to why not all Members of Council sit on the Audit Committee. Janice Baker, City Manager and CAO indicated that all Members of Council receive the Audit Committee agendas and the results of the Committee Structure Review indicated that Members of Council believed that the Audit Committee was being run efficiently. Councillor Crombie inquired on the number of audits conducted a year. Sally Eng, Director of Internal Audit indicated staff generates ten to twelve audit reports a year. She further indicated that staff focus on high risk areas which are identified in conjunction with the Commissioners, Directors and staff. Ms. Baker further indicated that staff will report back to Governance Committee on the issue of all Members of Council being on Audit Committee.

ADJOURNMENT- 10:58 a.m.



Corporate Report

Clerk's Files

Originator's
Files

DATE: October 25, 2013



TO: Chair and Members of the Audit Committee
Meeting Date: November 18, 2013

FROM: Gary Kent
Commissioner, Corporate Services and Chief Financial Officer

SUBJECT: 2013 Audit Planning Report

- RECOMMENDATION:**
1. That the report dated October 25, 2013 from the Commissioner of Corporate Services and Chief Financial Officer with respect to the 2013 Audit Planning Report, be received for information.
 2. That the Audit Committee approves the Audit Planning Report (Appendix 1) for the City's 2013 statutory audit.

BACKGROUND: Under the Audit Committee Charter (By-law 0321-2010), the Committee is responsible for reviewing the terms of engagement, fees and scope of the external audit which is scheduled to begin later this year.

KPMG LLP, Chartered Accountants (KPMG), were re-appointed by Council resolution for a five year term (fiscal years 2009 to 2013), subject to an annual review of the firm's performance.

For the 2009 to 2012 audit years, no staff concerns were raised or identified with regard to KPMG's performance and professionalism throughout the audit process.

COMMENTS:

The letter of engagement for audit has been approved by Audit Committee and executed last year and does not need to be resigned this year. The engagement letter sets out the responsibilities of the Audit Committee, management, city staff and KPMG. It also includes the objectives, scope and limitations of the external audit. Communication matters are discussed as well.

The letter of engagement also states that the primary objective of the external audit is to discharge the statutory obligation of reporting to Council and the boards, inhabitants and ratepayers of Mississauga in accordance with municipal legislation. This will involve KPMG issuing an opinion on whether the financial statements present fairly the financial position and results of operations in accordance with generally accepted accounting principles.

The secondary objective of the external audit is to provide feedback on internal accounting practices, operating controls and other matters of material financial importance with respect to the City and its local boards. Accordingly, through the audit, KPMG would also provide recommendations as to corrective actions and offer advice and assistance with regard to implementation, if requested to do so.

During the 2012 audit, members of the KPMG Audit Team demonstrated knowledge of the City's operation, provided good advice and services to the City and met all objectives contained in the 2012 audit engagement letter.

The 2013 year-end audit will be the final year of a five year contract. In 2014, Finance will be issuing an RFP for a new five year contract for audit services.

Appendix 1 (attached) contains the Audit Planning Report for the audit of fiscal year 2013. This report is designed to inform the Audit Committee and management of the audit procedures to be performed by KPMG in discharging its audit responsibilities.

FINANCIAL IMPACT:

The fee being paid to KPMG for the 2012 audit for the City, the Library Board, and the three Business Improvement Areas (BIA's) is \$125,000 excluding taxes.

Malton BIA was also established in 2013. KPMG is currently

assessing the audit cost for the additional engagement and will provide the City a quote once available.

The audit fees for the four Business Improvement Areas (Streetsville, Port Credit, Clarkson, and Malton) will be billed directly to the BIA's by KPMG.

In addition to the audited consolidated financial statements, KPMG provides special purpose audits that are not included in the City's audit fees. Some of these special audits include the Next Step Program (\$4,500), and Federal Gas Tax Reporting (\$2,500). These special purpose audits and reports are required for various Federal and Provincial Government funding initiatives.

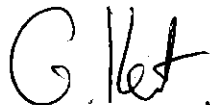
Fees for any other services, such as special purpose reports, will be billed separately from the services described in the engagement letter.

CONCLUSION:

The audit objectives described in the 2013 Audit Planning Report have been set and will be applied for the upcoming annual audit.

ATTACHMENTS:

Appendix 1: 2013 Audit Planning Report



Gary Kent

Commissioner, Corporate Services and Chief Financial Officer

Prepared By: Mark Beauparlant, Manager, Corporate Financial Services

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cutting through complexity

APPENDIX 1

AUDIT

Corporation of City of Mississauga

Audit Planning Report

For the year ending December 31, 2013

KPMG LLP

October 21, 2013

kpmg.ca

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This Audit Planning Report should not be used for any other purpose or by anyone other than the Audit Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Planning Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

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Considerations in developing our Audit Plan

We have prepared this Audit Plan to inform you of the planned scope and timing of the audit for the purpose of carrying out and discharging your responsibilities and exercising oversight over our audit of the consolidated financial statements.

We have set out below a summary of changes that have been taken into consideration in planning the audit for the current period:

Your organization

- The Corporation of City of Mississauga (the "City") issued debenture debt in the 2013 fiscal year.
- The City completed the land inventory review in the 2013 fiscal year and identified certain adjustments to the land tangible capital asset balance.
- The City commenced a review of the land inventory to determine the magnitude of potential liabilities related to contaminated sites.
- The City undertook a review of the Accumulated Surplus including Reserve and Unallocated surplus balances for the Business Improvements Area ("BIA") Societies.
- The Malton BIA Society had been established.

Accounting standards

- The City will be adopting the new accounting standard Section PS3410, Government Transfers. This standard establishes the recognition, measurement, and disclosure requirements for government transfers. It provides specific revenue recognition criteria for both the transferring government and the recipient government.
- We will work with Management to determine the impact on the consolidated financial statements in adopting the new accounting standards. It is not expected that the adoption of this standard will have a significant impact on the City's consolidated financial statements.
- Refer to the appendices for further discussion on future changes that impact future years.

Auditing and other professional standards

- There are no auditing standard changes that impact the December 31, 2013 year end.

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Our timetable

To assist with your responsibilities as an Audit Committee member, we have planned the following interactions with you during the regular and in-camera sessions of your committee meetings:

Audit Committee Interactions	Date
Present the Audit Planning Report and obtain comments	November 18, 2013
Present our year-end Audit Findings Report, including independence communications	TBD
Provide audit opinion on financial statements	TBD

Refer to the Appendices for KPMG's and management's responsibilities.

Annual inquiries of the Audit Committee

Professional standards require that during the planning of our audit we obtain your views on the risk of fraud. We make similar inquiries to management as part of our planning process; responses to these questions will assist us in planning our overall audit strategy and audit approach accordingly.

- Are you aware of, or have you identified any instances of, actual, suspected, possible, or alleged non-compliance of laws and regulations or fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
- What are your views about fraud risks in the entity?
- How do you provide effective oversight of programs and controls to prevent, detect and deter fraud, including oversight over internal controls management has established to mitigate fraud risks?
- Is the audit committee aware of tips or complaints regarding the entity's financial reporting (including those received through the internal whistleblower program, if such program exists) and, if so, what are the responses to such tips and complaints?

Areas of audit emphasis

We design an overall audit strategy and an audit approach to address the significant risks identified during the planning process.

Materiality

We determine materiality in order to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. The determination of materiality requires judgment and is based on a combination of quantitative and qualitative assessments, including the nature of account balances and financial statement disclosures.

For the current period, the materiality have been determined at \$14,000,000:

We will reassess materiality based on period-end results or new information to confirm whether it remains appropriate for evaluating the effects of uncorrected misstatements on the financial statements.

Significant financial reporting risks

As part of our audit planning, we identify the significant financial reporting risks that, by their nature, require special audit consideration. By focusing on these risks, we establish an overall audit strategy and effectively target our audit procedures.

The *significant* financial reporting risks identified during our audit planning are listed below:

Debenture debt
Risk of material misstatement prior to consideration of internal controls
Low
Summary of planned audit approach
<i>Substantive approach</i> <ul style="list-style-type: none"> • Review of debenture debt agreement and related bylaw • Substantive testing on proceeds received and repayments made during the year • Recalculate interest expense for the year and any accrued interest as at year end • Review disclosures

Tangible capital assets
Risk of material misstatement prior to consideration of internal controls
Low
Summary of planned audit approach
<i>Substantive approach</i> <ul style="list-style-type: none"> • Select a sample of additions for examination

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- Review a sample of any dispositions during the year
- Recalculate amortization expense for the year
- Review process for ensuring that amortization commences when project is substantially complete
- Review disclosures

Tax receivable and taxation revenue
Risk of material misstatement prior to consideration of internal controls

Low

Summary of planned audit approach
Substantive approach

- Substantive approach recalculating tax revenue using approved tax rates and assessments.

Employee future benefits
Risk of material misstatement prior to consideration of internal controls

Low

Summary of planned audit approach

- Reliance of actuaries engaged by the City: Update our understanding of the activities over the quality of information used, the assumptions made, the qualifications, competence and objectivity of the preparer of the estimate, and the historical accuracy of the estimates.

Substantive approach

- Communication with actuaries and testing of data provided to the actuaries
- Trend analysis
- Review assumptions used
- Review of disclosures

Deferred revenue – obligatory reserve funds
Risk of material misstatement prior to consideration of internal controls

Low

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Summary of planned audit approach
<ul style="list-style-type: none"> Update our understanding of the activities over the initiation, authorization, processing, recording and reporting <p><i>Substantive approach</i></p> <ul style="list-style-type: none"> Review of the City prepared calculation of deferred revenue balance with the responsible individuals.

Expenses – salaries and benefits
Risk of material misstatement prior to consideration of internal controls
Low
Summary of planned audit approach
<ul style="list-style-type: none"> Update our understanding of the activities over the initiation, authorization, processing, recording and reporting <p><i>Controls / Substantive approach</i></p> <ul style="list-style-type: none"> Perform control testing over payroll cycle Vouching of a sample of employees' salary and benefit expense to payroll information

Accounts payable, accrued liabilities and other expenditures
Risk of material misstatement prior to consideration of internal controls
Low
Summary of planned audit approach
<p><i>Substantive approach</i></p> <ul style="list-style-type: none"> Search for unrecorded liabilities Examine accrued liabilities for existence, accuracy and completeness Substantive test of details on selected non-payroll expenditures

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Risk of management override of controls

Although the level of risk of management override of controls will vary from entity to entity, professional standards presume the risk of management override of controls is nevertheless present in all entities and requires the performance of specific procedures to address this presumed risk.

Identified risk
Presumed risk of management override of control – Risk of fraud
Significant risk: Required to be identified as a significant risk per professional standards
Summary of planned audit approach
We plan on performing the required procedures under professional standards.
<ul style="list-style-type: none"> • Testing of journal entries • Performing a retrospective review of estimates

Work performed on components of the group entity (subsidiaries, joint ventures, divisions, equity method investees)

Professional standards require that we obtain an understanding of the City's organizational structure, including its components and their environments, that is sufficient to identify those components that are financially significant or that contain specific risks that must be addressed during our audit.

Where component auditors will perform work on the financial information of such components, we are required to evaluate the extent to which we, as group auditors, will be involved in the work of those component auditors to the extent necessary to obtain sufficient appropriate audit evidence for our group audit opinion.

The components upon which we will plan to perform audit procedures are listed below:

Significant components

Identification of significant component
Enersource Corporation
Involvement of KPMG member firms/KPMG member firms ("component auditor")
The component auditors, KPMG LLP from the Greater Toronto office, will be providing audit opinion on the fiscal year 2013 financial statements.
Nature of planned group auditor involvement in component auditor's work
Kevin Travers, is the engagement partner on both Enersource and the City, and will therefore be responsible for both sets of financial statements and ensuring that the modified equity pick up is properly performed

These fees are based on the assumptions described in the engagement letter in the appendices to this report.

Timing of the audit

We have discussed the key audit deliverables with management and the expected dates indicated below have been agreed upon:

Key deliverables and expected dates	
Deliverables	Expected date(s)
Conduct interim audit field work	Week of November 4, 2013
Conduct year-end audit field work	Two weeks and a half commencing January 27, 2014 for BIAs Three weeks commencing February 18, 2014 for City, Library and Trust Funds
Provide audit opinion on financial statements	TBD

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Recommended improvements

During the course of our audit, we may become aware of opportunities for improvements in financial or operational processes or controls. We will discuss any such opportunities with management and provide our recommendations for performance improvement. We will also include a synopsis of these issues and our recommendations in our discussions with you at the completion of the audit.

Appendices

Responsibilities of KPMG and Management

KPMG's Audit Quality Framework

Other current developments

Responsibilities of KPMG and Management

There have been no changes to the terms of our engagement previously outlined in our engagement letter and any subsequent amendment letters.

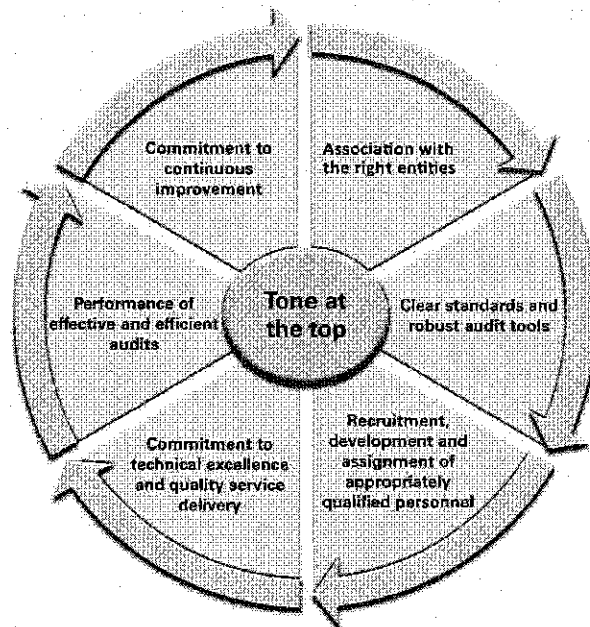
KPMG's Audit Quality Framework

Audit quality, and the respective roles of the auditor and audit committee, is fundamental to the integrity of financial reporting in our capital markets.

This is why audit quality is at the core of everything we do at KPMG. And we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To help ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

The framework comprises seven key drivers of audit quality.



The seven key drivers of audit quality

Driver	What it does	What it means to you
Tone at the top	Audit quality is part of our culture and our values and therefore non-negotiable Allows the right behaviours to permeate across our entire organization and each of our engagements	Assures you that: <ul style="list-style-type: none"> Our culture supports our promise to you of excellent service and a high quality audit—consistently You're receiving an independent, transparent, audit opinion You're receiving an effective and high quality audit that will help you maintain investor confidence in your financial statements. Provides you with: <ul style="list-style-type: none"> An engagement team
Association with the right entities	Ethics above all Eliminates any potential independence and conflict-of-interest issues	
Clear standards and robust audit tools	A solid rule book Rigorous internal policies and guidance that help ensure our work meets applicable professional standards, regulatory requirements, and KPMG's	

Driver	What it does	What it means to you
Recruitment, development and assignment of appropriately qualified personnel	<p>standards of quality</p> <p>People who add value</p> <p>Helps us attract and retain the best people and reinforces the importance of developing their talents</p> <p>Assigns Partners' portfolios based on their specific skill sets</p>	<p>handpicked for your business needs – a team with relevant professional and industry experience</p> <ul style="list-style-type: none"> • An audit engagement team whose qualifications evolve as your business grows and changes • An audit opinion that continues to meet your needs as a participant in the capital markets
Commitment to technical excellence and quality service delivery	<p>The right tools for the right job</p> <p>Promotes technical excellence and quality service delivery through training and accreditation, developing business understanding and industry knowledge, investment in technical support, development of specialist networks, and effective consultation processes</p>	<p>Assists you with:</p> <ul style="list-style-type: none"> • Assessing the effectiveness and efficiency of the audit • Performing your governance role with confidence
Performance of effective audits	<p>We understand that how an audit is conducted is as important as the final result.</p> <p>A code of conduct, audit delivery tools, and internal policies and procedures that help ensure the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and our standards of quality</p>	
Commitment to continuous improvement	<p>Comprehensive and effective monitoring</p> <p>We regularly solicit feedback from the audit committees of the entities we audit. Our robust internal quality review program ensures the work of each partner is reviewed every three years. Additionally, our procedures and a sample of our audits of listed entities are reviewed by the Canadian Public Accountability Board (CPAB), the independent regulator of the accountancy profession in Canada. The Public Company Accounting Oversight Board (PCAOB) in the US also conducts an annual inspection of a sample of our audits of SEC registrants. Finally, a</p>	

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Driver	What it does	What it means to you
	sample of other audits and reviews is undertaken annually by the various provincial institutes in Canada. We consider the recommendations that come from these reviews and implement actions to strengthen our policies and procedures, as appropriate.	

The regulatory landscape is changing

Uncertain economic forecasts and a changing regulatory environment define today's world; reliable financial information and high-quality audits have never been more essential.

We believe that high quality audits contribute directly to market confidence and we share your objectives of credible and transparent financial reporting.

Our Audit Quality Framework is particularly relevant to Audit Committees, and we see our role in being transparent to you as a key mechanism to support you in the execution of your responsibilities.

Our commitment to quality

The independence, judgment and professional skepticism of your auditors add value to your financial statements, and we believe it is important to be transparent about the processes we follow to develop a KPMG audit report. We want you to have absolute confidence in us and in the quality of your audit.

Our own professional standards dictate technical requirements for reaching and communicating an audit opinion. And we live and abide by these requirements. We invest heavily in our quality, and the Audit Quality Framework helps ensure these investments are the right ones—that they help us continuously drive and maximize our quality improvements. But we feel it is also important that we communicate to you how we view and implement audit quality. The seven key drivers outlined here, combined with the commitment of each individual in KPMG, are meant to do just that.

KPMG member firms across the world use this audit quality framework to describe, focus on and enhance audit quality for the benefit of the entities we audit and in support of the efficacy of our capital markets.

It is our hope that sharing our vision of what audit quality means is a significant step in building confidence in the value of our audits.

Audit quality is fundamental to the way we work.

Current developments

Public Sector Accounting Changes (PSAB)

New Standard on Financial Instruments

Highlights

A new standard has been issued establishing a standard on accounting for and reporting all types of financial instruments including derivatives.

Effective date and transition

The standard is effective for fiscal periods beginning on or after April 1, 2015 (applicable for the City in fiscal year 2016), however earlier adoption is permitted. An entity early adopting this standard must also adopt the revised Foreign Currency Translation standard.

Implications

This standard will require the City to identify any contracts that have embedded derivatives and recognize these on the statement of financial position at fair value. Portfolio investments in equity instruments are required to be recorded at fair value. Changes in fair value will be reported in a new financial statement – statement of remeasurement gains and losses. This standard sets out a number of disclosures in the financial statements designed to give the user an understanding of the significance of financial instruments to the City. These disclosures include classes of financial instruments and qualitative and quantitative risk disclosures describing the nature and extent of risk by type. The risks to be considered include credit, currency, interest rate, liquidity, and market risk.

Revised Standard on Foreign Currency Translation

Highlights

A revised standard has been issued establishing standards on accounting for and reporting transactions that are denominated in a foreign currency.

Effective date and transition

The standard is effective for fiscal periods beginning on or after April 1, 2015 (applicable for the City in fiscal year 2016), however earlier adoption is permitted. An entity early adopting this standard must also adopt the new Financial Instruments standard.

Implications

Exchange gains and losses arising prior to settlement are recognized in the statement of remeasurement gains and losses.

New Standard on Liability for Contaminated Sites

Highlights

A new standard has been issued establishing a standard for the recognition of liabilities for contaminated sites.

Effective date and transition

This standard is effective for fiscal years beginning on or after April 1, 2014 (applicable for the City in fiscal year 2015), however earlier adoption is encouraged.

Implications

A liability for remediation of contaminated sites should be recognized when an environmental standard exists, the contamination exceeds the environmental standard, the government is directly responsible or accepts responsibility for the remediation, it is expected future economic benefits will be given up and a reasonable estimate of the amount can be made.

This would only impact the City if a City property was determined to be a contaminated site requiring remediation.

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Corporate Report

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DATE: November 5, 2013

AUDIT COMMITTEE

Nov 18, 2013

TO: Chair and Members of Audit Committee
Meeting Date: November 18, 2013

FROM: Sally P. Eng, CPA, CA, CMA
Director, Internal Audit

SUBJECT: **Final Audit Report: Corporate Services Department, Information
Technology Division – Microsoft Exchange Audit**

RECOMMENDATION: That the report dated November 5, 2013 from the Director of Internal Audit with respect to the Final Audit Report: Corporate Services Department, Information Technology Division – Microsoft Exchange Audit be received for information.

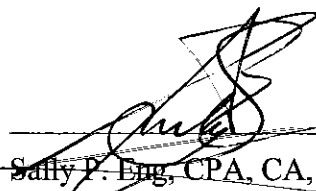
BACKGROUND: In accordance with the Terms of Reference for the Audit Committee (By-law 0321-2010), the Committee is responsible for “reviewing reports from the Director of Internal Audit identifying audit issues and the steps to resolve them, [and] reviewing the adequacy of the management responses to audit concerns, having regard to the risks and the costs involved.”

COMMENTS: Internal Audit has completed finalization of the Corporate Services Department, Information Technology Division – Microsoft Exchange Audit. The audit report is separately bound and is hereby submitted to the Audit Committee for consideration.

2(a)

FINANCIAL IMPACT: None

CONCLUSION: The Corporate Services Department, Information Technology Division – Microsoft Exchange Audit is now complete and is submitted for consideration by the Audit Committee.



Sally P. Eng, CPA, CA, CMA
Director, Internal Audit

Prepared By: Sally P. Eng, Director, Internal Audit



Corporate Report

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DATE: November 5, 2013

TO: Chair and Members of Audit Committee
Meeting Date: November 18, 2013

FROM: Janice M. Baker, FCPA, FCA
City Manager & Chief Administrative Officer

SUBJECT: Status of Outstanding Audit Recommendations as of September 30, 2013

AUDIT COMMITTEE
Nov 18, 2013

RECOMMENDATION: That the report dated November 5, 2013 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of September 30, 2013 be received for information.

**REPORT
HIGHLIGHTS:**

- This report shows the status of outstanding recommendations since the update report presented to the Audit Committee at the May 2013 meeting.
- Twelve (12) recommendations outstanding as of March 31, 2013 (effective date of the May 2013 report to the Audit Committee) are still in progress as of September 30, 2013, of which five (5) will be completed by the end of 2013; and the remaining seven (7) will be done before the end of 2014.
- Twenty-seven (27) recommendations with due dates between April 1, 2013 and September 30, 2013 were added to the follow up. Twenty-six (26) of these recommendations have been implemented and the remaining one (1) is scheduled for completion by the end of

2013.

- Twenty-one (21) recommendations with due dates after September 30, 2013 were also completed before their respective due dates.

BACKGROUND:

The Terms of Reference for the Audit Committee (By-law 0321-2010) requires the submission of an annual report from the City Manager & Chief Administrative Officer indicating progress in addressing recommendations which were made by Internal Audit and by the City's External Auditor. At the November 2011 Audit Committee meeting, members requested that a bi-annual progress update be submitted. The current report shows the status as of September 30, 2013.

COMMENTS:

A summary of recommendations which were outstanding as of March 31, 2013 (the effective date of the previous report to the Audit Committee) and new recommendations which were scheduled for completion from April 1, 2013 to September 30, 2013 is attached as Appendix 1.

Excellent progress has been made in the implementation of audit recommendations. Twenty-five (25) of the thirty-seven (37) recommendations which were previously outstanding as at March 31, 2013 have since been completed. Twenty-six (26) of the twenty-seven (27) recommendations that were due between April 1, 2013 and September 30, 2013 have also been completed with the remaining one (1) to be done by year end. In addition, twenty-one (21) recommendations that were originally scheduled for implementation after September 30, 2013 were completed ahead of schedule. Implementation of these recommendations has been verified by Internal Audit.

Status of the twelve (12) recommendations that were outstanding as at March 31, 2013 and were still in progress as at September 30, 2013 are detailed below:

- Mobile Licensing and Business Licensing Audits - Completion of the six (6) recommendations from these two audits are dependent on the implementation of the Administrative Penalties System and upgrade to the AMANDA application.

These are expected to be completed before the end of 2014.

- Active Directory Audit – The recommendation relating to training and certification is currently being addressed. One staff member is expected to be certified as an MCSA (Microsoft Certified Solutions Associate) by the end of 2013 and certification of an additional staff is being considered for 2014.
- Hershey Centre Audit – The newly appointed City Administrator continues to work with the venue management firm to address the three (3) recommendations pertaining to review, development and documentation of business processes in cash and revenue handling. These are expected to be done by the end of 2013.
- Health Benefits Contract Audit – Process flows as recommended for the administration of the health benefit contract have been completed and detailed procedures will be documented by the end of 2013.
- Cash Receipt Forms Audit – Development of the e-Learning modules for staff training has been delayed due to staff absence. This is now scheduled for completion by the end of 2013.

FINANCIAL IMPACT: None

CONCLUSION:

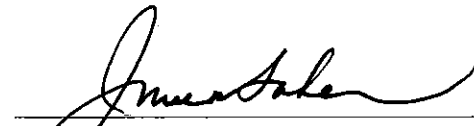
In summary, sixty-four (64) recommendations were scheduled for implementation prior to September 30, 2013, of which twenty-five (25) of the overdue recommendations were completed; and twenty-six (26) were done by their original due dates. In addition, twenty-one (21) recommendations that were not due until after September 30, 2013 were completed ahead of schedule. Of the thirteen (13) outstanding recommendations, six (6) are expected to be completed by the end of 2013 and the remaining seven (7) will be done before the end of 2014.

Continuous efforts are being made by staff to implement audit

recommendations and progress is closely monitored to ensure timely implementation.

ATTACHMENT:

Appendix 1: Status of Outstanding Audit Recommendations as of September 30, 2013



Janice M. Baker, FCPA, FCA
City Manager & Chief Administrative Officer

Prepared By: Barbara Webster, Senior Internal Auditor

**STATUS OF OUTSTANDING AUDIT RECOMMENDATIONS
AS OF SEPTEMBER 30, 2013**

(1) Audit	(2) Date Issued	(3) Outstanding March 31, 2013*	(4) New**	(5) Implemented/ Resolved	(6) In Progress September 30, 2013	(7) Implemented Ahead of Schedule ***
Facility Rental Revenue	09/08	5		5		
Program Registration and Membership	11/09	1		1		
Reimbursement of Expenses	04/10	3		3		
Health Benefits Contracts	11/10	1			1	
Mobile Licensing Revenue	02/11	6		1	5	
Compliance & Licensing Revenue	09/11	2		1	1	
Active Directory	09/11	1			1	
Acquisition of Library Materials	11/11	1		1		
Cash Receipt Forms	02/12	3	1	3	1	
Mississauga Spectator Arena Complex (Hershey Centre) – Phase 1	04/12	13		10	3	
LVA Cheque Requisitions Transaction Review	09/12	1		1		
Medium Value Acquisition	02/13					2
Parking Enforcement Revenue	02/13		4	4		8
Internal Audit Quality Assessment Review	02/13		2	2		
I.T. Hardware Inventory	08/13		2	2		
Library Union Payroll	09/13		5	4	1	
Paid Parking	09/13					10
Mississauga Spectator Arena Complex (Hershey Centre) – Phase 2	09/13		13	13		1
TOTAL		37	27	51	13	21

364)

**STATUS OF OUTSTANDING AUDIT RECOMMENDATIONS
AS OF SEPTEMBER 30, 2013**

* This column includes recommendations which were originally scheduled for implementation on or prior to March 31, 2013 but remained outstanding as of March 31, 2013 (effective date of the previous report to the Audit Committee in May 2013).

** This column includes recommendations that were originally scheduled for completion between April 1, 2013 and September 30, 2013 (effective date of the current report to the Audit Committee).

*** This column shows recommendations that were originally scheduled for completion after September 30, 2013 but were implemented ahead of schedule.



Corporate Report

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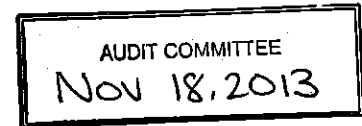
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DATE: November 6, 2013

TO: Chair and Members of Audit Committee
Meeting Date: Monday, November 18, 2013

FROM: Sally P. Eng, CPA, CA, CMA
Director, Internal Audit

SUBJECT: Internal Audit Work Plan for 2014 to 2016



RECOMMENDATION: That the report dated November 6, 2013 from the Director of Internal Audit, with respect to the Internal Audit Work Plan for 2014 to 2016 be approved.

REPORT HIGHLIGHTS:

- During the summer of 2013, Internal Audit engaged management staff in a Corporate Risk Assessment to perform a self-assessment of the inherent risks in their respective area.
- The Risk Assessment was based on seven common risk categories (Business Operations, Human Resources, Financial, Physical Assets, Technology, Confidentiality and Public Profile).
- Overall, Business Operations, Public Profile and Technology were ranked as the three highest risk categories; followed by Human Resources; Physical Assets; Financial Resources; and Confidentiality.
- Based on the results of the Corporate Risk Assessment, discussion with senior management, and the current level of resources available in the Internal Audit Division, a multi-year (2014 to 2016) Internal Audit Work Plan was developed for approval by the Audit Committee.

BACKGROUND:

The Terms of Reference for the Audit Committee (By-law 0321-2010) states that the Committee shall review the "work plan, staffing and budget of Internal Audit" to ensure that the audit work plan is compatible with Corporate objectives and priorities. The Internal Audit Charter (By-law 0065-2013) requires the Internal Audit Division to develop "a flexible audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management and submit that plan to the Audit Committee for review and approval as well as periodic updates."

This report provides information on the audit projects being recommended for 2014 to 2016.

COMMENTS:**1. Corporate Risk Assessment**

In the summer of 2013, Internal Audit engaged management staff in a Corporate Risk Assessment exercise to complete a self-assessment of the risks for their respective Service Areas based on seven common risk categories, being

- Business Operations
- Human Resources
- Financial Resources
- Physical Assets
- Technology and Information Resources
- Confidentiality
- Public Profile

Definition of each risk category is included in Appendix 1 to this report. These risk categories were developed and used in the 2009 Corporate Risk Assessment which resulted in the development of the 2010 to 2012 audit work plan.

Results of the Assessment showed that the three risk categories that were ranked the highest were Business Operations, Public Profile and Technology. The 2009 Risk Assessment showed similar results.

It should be emphasized that, since the Assessment focussed on the

risks inherent in the normal course of conducting business and in achieving the objectives of the Service Areas, results of the Assessment are by no means an indication of how well the services or programs are being managed.

2. Internal Audit Work Plan

Based on the results of the Corporate Risk Assessment and discussions with senior management and within the Internal Audit Division, Internal Audit has prepared a work plan for 2014 to 2016 (see Appendix 2). The plan also took into consideration specific requests from management staff expressed through the Corporate Risk Assessment exercise.

(a) Audits (Assurance Projects)

Much of the emphasis in the proposed audit program is devoted to addressing Business Operations risks identified in the Corporate Risk Assessment, particularly with respect to new initiatives, or areas that have not been previously subject to audits, or where significant time has elapsed since the last audit.

Substantial amounts are required to deliver the programs and services offered by the City and high standards are expected in the administration and accountability of public funds. Hence, even though the results of the 2013 Risk Assessment showed that Financial Resources risks appeared to be ranked lower in relation to other risk categories, emphasis of the audit work plan is placed on areas where there could be significant Financial Resources risks. As such, a number of the proposed audits are related to the administration of capital and current contracts, payroll and revenue handling.

The proposed audits also target compliance with applicable legislation, City By-laws, Corporate Policies and Procedures and good business practices, where noncompliance may have adverse consequences for the City and increase Public Profile risks. In addition, audit effort will be focussed on review of technology related issues to obtain a better understanding of the integration of

technology and businesses in the City's enterprise systems and in disaster recovery and business continuity. Information technology issues will also be reviewed during audits of associated business applications (e.g. CLASS, Hastus, Trees-To-Go, etc).

Appendix 2 shows the list of projects proposed for 2014 to 2016 by Service Areas. The intent of the three (3) year work plan is to provide a balanced coverage across the Service Areas. The proposed timing of the audits took into consideration other Corporate projects and initiatives that are currently underway or have been planned, such as IT reorganization; implementation of new initiatives / systems / processes; and upgrade to existing systems, etc.

All audits are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing (as per the Institute of Internal Auditors), Corporate Policies and Procedures 03-04-01 on Audit Process, and the Internal Audit Procedural Manual. Detailed scope, objectives and evaluation criteria will be determined at the planning stage of each project. An audit planning memorandum will be prepared and discussed with management prior to the commencement of each audit.

(b) Consultation and Other Activities

In addition to the assurance projects, a percentage of Internal Audit staff time is spent on consultative services. The purpose of these services is to provide proactive advice to Management to enhance controls and mitigate risks, to improve City's operations and to ensure that issues identified are appropriately addressed. The schedules and the amount of time required to provide these services largely depend on the progress and complexity of the projects concerned and generally are not within the control of Internal Audit. In past years, approximately 15 to 20% of audit staff time has been spent on consulting and policy review activities.

Other activities of Internal Audit include follow up of outstanding audit recommendations which is conducted twice a year; staff development and continuous improvement initiatives; and networking with counterparts from other municipalities to share

information in the latest trend in auditing, as well as areas of risk assessment and audit processes that are mutually beneficial.

(c) Changes to Proposed Program

While specific projects are identified for each of the years and every attempt will be made to adhere to the work plan, it is important to recognize that the audit work plan needs to remain flexible to accommodate changes in priorities, requests for unanticipated projects as well as necessary changes in audit scope.

On occasions, it may be necessary or more efficient to expand the scope of the audits to examine issues that are not originally contemplated. As needs and priorities change during the year, ad hoc requests for both assurance and consultative services may also be received from the Audit Committee and management. Accommodating these changes and requests may lead to changes to the proposed work plan.

It is difficult to predict the need for changes in audit scope and the level of requests for unanticipated projects. As a result, it is important that the audit work plan remains flexible to accommodate such changes where necessary. Accepting these changes may result in deferring certain projects in the work plan. The audit work plan will be updated semi-annually and will be presented to the Audit Committee at the appropriate juncture. The work plan will also be refreshed at the beginning of each year to take into consideration any changes that may be required.

FINANCIAL IMPACT: None.

CONCLUSION:

A Corporate Risk Assessment was conducted in the summer of 2013 to engage management staff in performing a self-assessment of the inherent risks in their respective Service Areas. Results of the Assessment showed that Business Operations, Public Profile and Technology were ranked as the three highest risk categories.

Based on the results of the Corporate Risk Assessment and discussions with senior management and within the Internal Audit

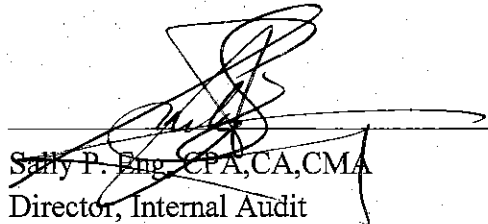
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Division, the Internal Audit Work Plan for 2014 to 2016 was developed. Specific requests from management were also incorporated into the work plan. While specific projects are listed for each of the three (3) years, flexibility of the work plan is required to accommodate ad hoc requests from the Audit Committee and senior management during the year, as well as justified expansion of audit scope. Progress reports will be provided to the Audit Committee periodically and the work plan will be refreshed on an annual basis.

ATTACHMENTS:

Appendix 1: Corporate Risk Assessment – Definition of Risk Categories

Appendix 2: Proposed Internal Audit Work Plan 2014 – 2016



Sally P. Eng, CPA, CA, CMA
Director, Internal Audit

Prepared By: Sally P. Eng, CPA, CA, CMA

Appendix 1**Corporate Risk Assessment
Definition of Risk Categories****1) Business Operations**

The risks/opportunities associated with the ability of the business processes to deliver services efficiently and effectively and to respond and adapt to changes adequately.

2) Human Resources

The risks/opportunities associated with attracting, recruiting, retaining and developing skilled, experienced and knowledgeable staff.

3) Financial Resources

The risks/opportunities associated with planning, management and oversight of financial resources, including monetary investments.

4) Physical Assets (PSAB)

The risks/opportunities associated with tangible assets such as infrastructure, buildings, land and equipment as required for reporting under PSAB.

5) Technology and Information Resources

The risks/opportunities associated with efficient and effective information and technology supporting the City's current and future business needs.

6) Confidentiality

The risks/opportunities associated with the ability to safeguard assets and information against loss or misuse.

7) Public Profile

The risks/opportunities associated with the visibility and public interest in the services being delivered and the public's trust and confidence.

Proposed Internal Audit Work Plan 2014 – 2016

Appendix 2

Page 1 of 4

Service Area	2014	2015	2016	Previous Audits
Roads, Storm Drainage and Watercourses	Current Contracts e.g. City Repair			2004
	Fleet inventory and maintenance			
		Winter Maintenance		2007 2006
		Fuel Co-op program / Fuel Management Program		
			Capital Construction Contracts	2009 2003 1993
			Street Lighting Services Agreement; Street Lighting Monitoring System; Inventory control	2011
Regulatory Services	Inspection and Follow Up process for compliance to By-law			
		Parking Enforcement Administrative Penalty System		2013 - Revenue Audit
			Business Licensing Administrative Penalty System	2011 - Revenue Audit
			Mobile Licensing Administrative Penalty System	2011 - Revenue Audit

Proposed Internal Audit Work Plan 2014 – 2016

Service Area	2014	2015	2016	Previous Audits
Mississauga Transit	Union Payroll, including overtime, shift premium, shift trades, etc			
		Prestocard		
		Transit Maintenance		2009
			Hastus and Trapeze (iBus)	
Arts & Culture	Museum Operations			
		Meadowvale Theatre		
		Film Policy and Revenue		
			Mississauga Celebration Square - Event revenue and expenses	
Fire & Emergency Services			Supply contracts for fleet and building maintenance	
			Fleet acquisition	
Parks & Forestry	Parks Access Permits			
	Parks Work Order System			
	Trees-to-go			
		Parks Inventory		
		Parks Chargeback		
			Capital Contracts	2007
			Current Contracts	2007
Recreation	Brae Ben Golf Course			
		Business Operation - SportZone		

45)

4(c)

Appendix 2

Proposed Internal Audit Work Plan 2014 – 2016

Page 3 of 4

Service Area	2014	2015	2016	Previous Audits
		CLASS - Facilities Rental		2008 1996
			Hershey Centre Management Agreement	2013 2012
			CLASS - Registration and Membership	2009
Business Services	Overtime, Lieu Time			Part of previous payroll audits
	Payment to One Time Vendors			2004
	Investment			Annual
	Petty Cash			Part of previous cash handling audits
	Single / Sole Sourced Acquisitions			Part of previous purchasing audits
	Accounts Receivable -- Collections			2009 1995
		311 – backup and confidentiality		
		Temporary Employees		2007
			Recruitment	1991
			Workforce Planning	
Legislative Services			POA - Revenue and Cash Handling	2003 1994
Information Technology	SAP Overview (Linkages; business processes;			Various business applications

Proposed Internal Audit Work Plan 2014 – 2016

Service Area	2014	2015	2016	Previous Audits
	storage, security etc)			involving SAP
	IT Disaster Recovery Plan/ Business Continuity Review			1991 Computer Emergency Contingency Plan Review
		IT Technical Security Systems – Firewall, Intrusion, Malware		
			Bring Your Own Device (BYOD)	
Facilities and Property Management	Facilities Maintenance Work Order system			
		Capital Maintenance Contracts		2007
		Incident Reporting		
		Rental and lease agreements		
			Capital Project Contracts	2009
			Current Maintenance Contracts	2008
Strategic Policy	Claims Administration			
Land Development Services		ePlan		Building Permit 1997, 2006, 2010
Total	19	18	18	

45)