

AGENDA



AUDIT COMMITTEE

THE CORPORATION OF THE CITY OF MISSISSAUGA

MONDAY, MAY 5, 2014 – 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 March 3, 2014 Audit Committee meeting.

Recommend ApprovalAPPROVAL OF THE AGENDADEPUTATIONSMATTERS TO BE CONSIDERED

1. Report dated April 15, 2014 from the Commissioner of Corporate Services and Chief Financial Officer re: **External Audit Contract Extension-KPMG LLP**

Recommendation

1. That the contract for supply of audit services with KPMG LLP be extended for one additional year to cover 2014.
2. That the City's current audit service agreement with KPMG LLP be amended to reflect the one year extension which includes a total fee of \$125,000, plus applicable taxes. All other special audit requirements (Federal Gas Tax, etc.) will also be held at the previous contract rates.

Recommend Approval

2. Report dated April 20, 2014 from the Commissioner of Corporate Services and Chief Financial Officer re: **2013 External Audit Findings Report**

Recommendation

That the 2013 External Audit Findings Report dated April 20, 2014 from the Commissioner of Corporate Services and Chief Financial Officer, which includes the Audit Findings Report from KPMG for the fiscal year 2013 for the City of Mississauga, be received for information.

Recommend Receipt

3. Report dated April 21, 2014 from the Commissioner of Corporate Services and Chief Financial Officer re: **2013 Audited Financial Statements**

Recommendation

That the 2013 Audited Financial Statements for City of Mississauga (City), City of Mississauga Public Library Board, City of Mississauga Trust Funds, Clarkson Business Improvement Area, Port Credit Business Improvement Area, Streetsville Business Improvement Area, and Enersource Corporation, be received.

Recommend Receipt

4. Report dated April 24, 2014 from the City Manager and Chief Administrative Officer re: **Status of Outstanding Audit Recommendations as of March 31, 2014.**

Recommendation

That the report dated April 24, 2014 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of March 31, 2014 be received for information.

Recommend Receipt

5. Report dated April 25, 2014 from the Director of Internal Audit re: **Final Audit Reports: 1. Corporate Service Department, Finance Division, Investments Section – 2013 Investment Audit, and 2. Corporate Services Department, Revenue & Materiel Management Division, Revenue & Taxation Section – Accounts Receivable Collections Audit.**

Recommendation

That the report dated April 25, 2014 from the Director of Internal Audit with respect to final audit reports:

1. Corporate Service Department, Finance Division, Investments Section – 2013 Investment Audit, and
2. Corporate Services Department, Revenue & Materiel Management Division, Revenue & Taxation Section – Accounts Receivable Collections Audit, be received for information.

Recommend Receipt

INQUIRIES

CLOSED SESSION

ADJOURNMENT



Minutes

AUDIT COMMITTEE

THE CORPORATION OF THE CITY OF MISSISSAUGA

MONDAY, MARCH 3, 2014 – 9:01 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 9:03 a.m.)
Councillor Jim Tovey, Ward 1
Councillor Pat Mullin, Ward 2 (Chair)
Councillor Bonnie Crombie, Ward 5
Councillor Ron Starr, Ward 6

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
Diana Rusnov, Manager of Legislative Services and Deputy Clerk
Carmela Radice, Legislative Coordinator, Office of the City Clerk

CALL TO ORDER - 9:01 a.m.

DECLARATIONS OF (DIRECT OR INDIRECT) PECUNIARY INTEREST - Nil

MINUTES OF PREVIOUS MEETING

- (a) That the Audit Committee minutes of November 18, 2013 be approved as presented.

Approved (R. Starr)

APPROVAL OF THE AGENDA

That the agenda be approved as presented.

Motion: Moved by: J. Tovey

Carried

DEPUTATIONS - Nil

MATTERS TO BE CONSIDERED

1. Report dated February 21, 2014 from the Commissioner of Community Services re: **2013 Year-End Financial Report of Community Services Facilities**

Paul Mitcham, Commissioner of Community Services provided a summary of the report. Councillor Crombie spoke to the report.

Mayor McCallion arrived at 9:03 a.m.

Recommendation

AC-0001-2014

That the Corporate Report dated February 21, 2014 from the Commissioner of Community Services entitled "2013 Year-End Financial Report of Community Services Facilities", be received for information.

Received (B. Crombie)

2. Report dated January 30, 2014 from the Director of Internal Audit re: **Revised Internal Audit Work Plan for 2014 to 2016 Revised Internal Audit Work Plan for 2014 to 2016**

Sally provided an overview of the report and spoke to the amendments to the work plan as per the Committee's recommendation. Members of the Committee inquired about Prestocard, Hastus and Trapeze (iBus), streetlighting, stormwater, union payroll and Hershey Centre. Gary Kent, Commissioner of Corporate Services and Chief Financial Officer indicated that Human Resources are reviewing all city policies.

Recommendation

AC-0002-2014

That the report dated January 30, 2014 from the Director of Internal Audit, with respect to the Revised Internal Audit Work Plan for 2014 to 2016, be approved.

Approved (B. Crombie)

3. Report dated February 26, 2014 from the Director of Internal Audit re: **Final Audit Reports:**
1. **Community Services Department, Parks & Forestry Division, Parks Section – Marina Operations Audit, and**
 2. **Corporate Services Department, Finance Division, Financial Services Section – Petty Cash Audit.**

Sally Eng, Director of Internal Audit requested a change in the order of the audit report presentations speaking to , petty cash audit first and marina operations audit second. Amy Truong presented the Corporate Services Department, Finance Division, Financial Services Section – Petty Cash Audit. Ms. Truong indicated that last review of petty cash policies and procedures was conducted in 2001 with amendments over the years to reflect changes in administration and other related policies. She further indicated that a total of eight recommendations resulted from the audit and Management in Corporate Finance agreed with the recommendations and indicated that they would be completed by July 31, 2014. Members of the Committee inquired about the petty cash process and the number of non-compliance scenarios. Ms. Truong indicated that Corporate Finance is aware of the need to review the policy on administration of cash floats and petty cash fund and that that there should be an annual review of the activities of each petty cash fund. Ms. Eng indicated that the non-compliance scenarios were small purchases. Janice Baker, City Manager and Chief Administrative Officer indicated that the number of non-compliance scenarios was an average of two (2) to three (3) percent. She further indicated that all staff that handles petty cash will be required to undertake a mandatory retraining session.

Heidi Bryck, Audit Associate presented the Community Services Department, Parks & Forestry Division, Parks Section – Marina Operations Audit. Ms. Bryck indicated that the City operates two marinas Lakefront Promenade and Credit Village which have three permanent staff and seven seasonal staff who as much as possible comply with the Corporate Requirements for collecting, handling, tracking and monitoring revenue. The audit resulted in a total of 17 recommendations; seven addressed the operational controls and financial reporting; four dealt with safeguarding of assets and information; and, two were about improving the efficiency and effectiveness of the operation. Three of the recommendations have been implemented, five of the seventeen are scheduled to be completed by July 31, 2014, six by December 31, 2014 and the remaining three will be done during the coming off season and will be completed by April 30, 2015. Members of the Committee inquired about permanent slips at the marina, comparable rates and revenue allocation. Paul Mitcham, Commissioner of Community Services indicated that the marina offers 18 seasonal slips and the boats can stay up to 10 days. David Broderick, Manager of Marina Operations indicated that every year the marina compares their rates to the Greater Toronto Area. He further stated that Lakefront Promenade and Credit Village marinas are less expensive than downtown Toronto and are slightly higher than the area West. Janice Baker, City Manager and Chief Administrative Officer indicated that the revenues are allocated to the general fund before capital and to the Community Services budget.

Recommendation

AC-0003-2014

That the report dated February 26, 2014 from the Director of Internal Audit with respect to final audit reports:

1. Community Services Department, Parks & Forestry Division, Parks Section – Marina Operations Audit, and
2. Corporate Services Department, Finance Division, Financial Services Section – Petty Cash Audit, be received for information.

Received (J. Tovey)

INQUIRIES(a) Corporate Policies

Mayor McCallion inquired about corporate policies, why is staff not adhering to them, when staff moves from department to department are they aware of the policies in that department and are contracts agreements being kept up to date. Janice Baker, City Manager and Chief Administrative Officer indicated that the corporate policies are on-line for staff to read and refer to when performing their job in whichever department they are in and some corporate policies are added to staff's personal management performance agreements. She further indicated that Legal and Clerk's will send Council a status report outlining the number of agreements in the Central Agreement Tracking System (CATS).

CLOSED SESSION

Audit Committee moved into Closed Session at 10:03 a.m. Audit Committee moved out of closed session at 10:18 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: **Verbal – Marina Operations Audit.**

Paul Mitcham, Commissioner of Community Services provided background information on the Marina Operations Audit. Members of the Committee inquired about the Marina Operations audit. Mr. Mitcham provided responses to the inquires.

ADJOURNMENT – 10:20 a.m.



Corporate Report

Clerk's Files

Originator's
Files

DATE: April 15, 2014

AUDIT COMMITTEE

MAY 05 2014

TO: Chair and Members of Audit Committee
Meeting Date: May 5, 2014

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

SUBJECT: External Audit Contract Extension-KPMG LLP

- RECOMMENDATION:**
1. That the contract for supply of audit services with KPMG LLP be extended for one additional year to cover 2014.
 2. That the City's current audit service agreement with KPMG LLP be amended to reflect the one year extension which includes a total fee of \$125,000, plus applicable taxes. All other special audit requirements (Federal Gas Tax, etc.) will also be held at the previous contract rates.

BACKGROUND: The City's contract for audit services with KPMG LLP will expire at the conclusion of our fiscal 2013 year-end audit.

The current contract for audit services (2009 to 2013) was extended in 2009 for an additional five years due to the City's implementation of tangible capital asset accounting and reporting (PSAB 3150).

The last competitive process was held in 2004. At that time, only 2 bids were received in response to the City's request for audit services (from KPMG and Deloitte). KPMG LLP had the lowest bid and achieved high scores on all requirements.

KPMG has been the City's external auditor since 1994. They have successfully competed and won in 3 separate competitive processes since that time.

The KPMG team, led by Partner Kevin Travers, provides quality professional service and demonstrates wide expertise in a number of areas for the City.

COMMENTS:

The City's current contract for audit services will expire at the conclusion of the fiscal 2013 year-end audit. As a result, Finance must begin planning for a new competitive process.

One of the Audit Committee's primary responsibilities is to approve the selection of City auditor. The next available Audit Committee meeting date is November 17, 2014 which is shortly after the election. By extending the contract one year, it will allow Finance time to complete the competitive selection process and allow the new Council to review and approve the selection of the external auditor.

FINANCIAL IMPACT:

KPMG has offered to extend the contract by one year at the existing annual fee of \$125,000 plus taxes.

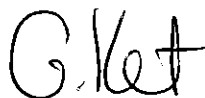
KPMG's proposal for the one year extension seems both fair and reasonable for the extension period.

Funding for the City's external audit fee is provided in the Non-Departmental section of the annual Operating Budget.

CONCLUSION:

The City's current contract for audit services will expire at the conclusion of the fiscal 2013 year-end audit. Staff are proposing to extend this contract for one additional year.

KPMG has provided high quality, professional audit and consulting services to the City and has acquired a sound understanding of the City's services, programs, business processes, accounting structure and internal controls which assists in completing audits and providing expert advice and support to the City.



Gary Kent

Commissioner of Corporate Services and Chief Financial Officer

Prepared By: Mark Beauparlant, Manager, Corporate Financial Services



Corporate Report

Clerk's Files

Originator's
Files

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DATE: April 20, 2014

AUDIT COMMITTEE
MAY 05 2014

TO: Chair and Members of Audit Committee
Meeting Date: May 5, 2014

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

SUBJECT: **2013 External Audit Findings Report**

RECOMMENDATION: That the 2013 External Audit Findings Report dated April 20, 2014 from the Commissioner of Corporate Services and Chief Financial Officer, which includes the Audit Findings Report from KPMG for the fiscal year 2013 for the City of Mississauga, be received for information.

**REPORT
HIGHLIGHTS:**

- The 2013 External Audit Findings Report provides an overview of the 2013 audit process and findings and highlights those matters on which the Auditors wish to advise the Audit Committee.
- The Audit Committee is responsible for reviewing any reports and correspondence from the External Auditor relating to the City of Mississauga (City) and any local boards or agencies which may be created.
- In 2013, KPMG identified two process improvement recommendations:
 1. City staff looks into opportunities to automate processes and procedures to ensure that capital asset transfers are captured in the period in which the City takes title.

2. City staff initiates an updated actuarial review to determine the financial impact of new legislation regarding insurance liability and related disclosures.

- The two improvement observations from the 2012 Audit Findings Report have been completed.

BACKGROUND:

The Audit Committee's Terms of Reference (Bylaw #0321-2010) establishes the role and responsibilities of the Audit Committee. The assigned responsibilities of the Committee include reviewing and making recommendations to Council regarding the external audit function, internal audit function, financial reporting, internal controls, and compliance.

The Audit Committee is responsible for reviewing any reports and correspondence from the External Auditor relating to the City of Mississauga (City) and any local boards or agencies which may be created. For fiscal year 2013, local boards and agencies include the Mississauga Public Library Board and the Business Improvement Area Boards.

COMMENTS:

KPMG have now completed the statutory audit for the fiscal year 2013 and have issued an Audit Findings Report for information.

The 2013 External Audit Findings Report assists the Audit Committee in the review of the consolidated financial statements and provides an overview and summary of the findings and an assessment of the completed audit.

The report also provides information and comments regarding the following areas:

- significant audit, accounting and reporting matters
- any corrected or uncorrected audit items
- control deficiencies and business improvement observations
- an Independence Letter

The Business Improvement Observations section provides auditor comments and recommendations relating to the design or effectiveness of internal controls, and/or enhancements to financial accounting and reporting.

In 2013, KPMG had two business improvements observations and related recommendations:

Observation 1: During the course of performing audit procedures over the recording of additions to TCA, KPMG identified approximately \$1M of net TCA additions as a result of errors identified during our testing that were not originally recorded by management.

Recommendation: KPMG recommends that a more automated process or procedure be implemented to ensure that these transfers are captured in the period in which the City takes title.

Management Response: Finance will continue to explore opportunities to automate and improve process where practical. Finance will use these findings to help explore and implement improved processes.

Observation 2: During KPMG's audit testing of the self-insurance liability balance at year end, KPMG noted that the actuarial study was not updated to capture the financial impact of certain new legislation implemented in 2013.

Recommendation: KPMG recommends that the City initiate an updated actuarial review to determine the financial impact of the new legislation on the recorded insurance liability and related disclosures.

Management Response: Finance will discuss the recommendation with Risk Management and ask them for a 2014 assessment refresh or to move up the actuarial review to 2014.

In 2012, KPMG had two business improvements observations and related recommendations:

Observation 1: There is no standardized process or procedures in place that mandates the regular review of the Assets under Construction (AUC) for the continued appropriateness of capitalization.

Recommendation: KPMG recommends that the nature and scope of the "Asset under Construction" reporting be expanded such that a regular review of the expense or expenditures incurred can be implemented. In addition, KPMG recommends that open projects be investigated more frequently in order to identify inactive or completed

projects more promptly.

Management Response: Completed

Observation 2: The report used to generate the vacation accrual for the end of 2012 was missing some data.

Recommendation: KPMG recommends that management perform sample testing on the vacation liability report with payroll records to validate the accuracy and completeness of the report in the future.

Management Response: Completed

The Independence Letter identifies any professional services provided by our external auditors, KPMG, to the City during the year. It also identifies any relationships with the City that may reasonably be thought to bear on auditor independence. The Independence Letter confirms KPMG's independence throughout the audit year.

FINANCIAL IMPACT: There are no financial implications to the City from the Audit Findings Report.

CONCLUSION: The 2013 External Audit Findings Report is a by-product of the financial statement audit.

The 2013 External Audit Findings Report provides an overview of the 2013 audit process. The report highlights any audit findings and/or audit observations and recommendations for the Audit Committee's review and consideration.

The Independence Letter summarizes the relationship and independence between the City and our external auditors (KPMG).

ATTACHMENTS: Appendix 1: 2013 Audit Findings Report



Gary Kent
Commissioner of Corporate Services and Chief Financial Officer

Prepared By: Mark Beauparlant, Manager, Corporate Financial Services

AUDIT

Corporation of City of Mississauga

Audit Findings Report

For the year ended December 31, 2013

KPMG LLP

April 16, 2014

kpmg.ca

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Executive summary

Overview

The purpose¹ of this Audit Findings Report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the consolidated financial statements (hereinafter "financial statements") of The Corporation of the City of Mississauga as at and for the year ended December 31, 2013.

We appreciate the assistance of management and staff in conducting our audit. We hope this audit findings report is of assistance to you for the purpose above, and we look forward to discussing our findings and answering your questions.

Status

- As of date of this report, we have completed the audit of the financial statements and received evidence of approval of the consolidated financial statements from the City's Chief Financial Officer (individual delegated authority to approve the financial statements).
- Our audit report is dated the date of approval of the consolidated financial statements by the Chief Financial Officer, April 14, 2014.

¹ This Audit Findings 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 Findings 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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Significant audit, accounting and reporting matters

Included in this report are significant matters we have highlighted for discussion at the upcoming audit committee meeting. We look forward to discussing these matters and our findings with you.

Changes from the Audit Plan

There have been no changes from the Audit Planning Report previously presented to you.

Matters related to management's judgment and estimates

We have not noted any significant matters related to management's judgment and estimates that we would like to bring to your attention.

Other matters

We have highlighted below other significant matters that we would like to bring to your attention:

Tangible capital assets

- During 2013 and subsequent to finalization of the 2012 financial statements, the City completed its land inventory review project and determined that the land under road inventory as previously reported in its Tangible Capital Assets ("TCA") in the 2012 financial statements was understated by approximately \$69M.
- The adjustment was identified primarily as the City utilizes a new and improved method to inventorying land under roads. This review process commenced in 2011 and has allowed the City to identify parcels of land that exist on the 'shoulder' of the road referred to as the road "right-of-way" that had not been included in the City's TCA register. These parcels were not included in the 2012 opening inventories because the geographical query was based on estimation techniques.
- Due to the magnitude of the adjustment, this necessitates a recast of the 2012 financial statements.

KPMG comments regarding effect on the audit

- We reviewed the analysis prepared by management and performed testing on selected land under road items to validate the existence and accuracy of the adjustment.
- The adjustment to the 2012 financial statements is described in Note 2 to the consolidated financial statements.
- We also reviewed the management prepared reconciliation between the land under roads amount reported in the 2013 financial statement and an independent database maintained by the Works and Transportation department to test to the completeness of the adjustment.

Debenture debt

- During 2013, The City, through the Regional Municipality of Peel (hereinafter the "Region of Peel"), issued \$50M of debenture debt.
- The interest rate and terms of the debenture debt are detailed in Note 9 to the consolidated financial statements.

KPMG comments regarding effect on the audit

- We obtained an independent confirmation from the Region of Peel on the debenture debt balance as at December 31, 2013.
- We also reviewed the Council and Region of Peel by laws on the issuance of the debenture debt.

Tax receivable write off

- During our review of the City's tax receivable balance, we were advised by management that a tax receivable balance was overstated as a result of the issuance of a new regulation by the Ministry of Finance subsequent to year end.
- As the tax receivable was in dispute during 2013, resolution of the dispute subsequent to year end necessitates an adjustment of the tax receivable. This totaled approximately \$9M. The net impact to the City's 2013 Statement of Operations approximates \$2.4M.
- However, due to timing of the issuance of this new regulation by the Ministry of Finance, the write down of the tax receivable balance had not been recorded by management.

KPMG comments regarding effect on the audit

- We reviewed management's calculation on the tax receivable write off and the allocation to the Region of Peel and School Board. We concur with management's analysis.

Misstatements

- Management recorded the audit misstatement in the 2013 financial statements.
- Refer to corrected audit misstatement attached to the management representation letter.

2(i)

TCA land addition testing

- During our sample testing of TCA land additions, we identified 3 errors which resulted in net addition of \$1M to the TCA balance as at December 31, 2013. The net additions were not originally recorded by management.
- We noted that these errors were primarily as a result of manual intervention in the TCA additions reporting process, in particularly with assumed assets.

Misstatements and process improvement observation

- Management recorded the audit misstatement in the 2013 financial statements.
- Refer to audit misstatement schedules attached to the management representation letter.
- Refer to process improvement observation section for recommendation.

Significant qualitative aspects of accounting policies and practices

Our professional standards require that we communicate our views regarding the matters below, which represent judgments about significant qualitative aspects of accounting policies and practices. Judgments about quality cannot be measured solely against standards or objective criteria. These judgments are inherently those of the individual making the assessment: the engagement partner. However, although judgments about quality are those of the engagement partner, the views discussed below are not contrary to positions KPMG has taken.

The following are the matters we plan to discuss with you:

Significant accounting policies	<ul style="list-style-type: none"> Significant accounting policies or practices are disclosed in Note 1 to the financial statements. The new significant accounting policies are disclosed in Note 1 to the financial statements.
Critical accounting estimates	<ul style="list-style-type: none"> There were no significant accounting estimates and assumptions other than carrying value of tangible capital assets and certain accruals and obligations related to employee benefits.
Critical disclosures and financial statement presentation	<ul style="list-style-type: none"> The financial statements include disclosures and presentation requirements under the relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter included in the Appendices.

Misstatements

Identification of misstatements

Misstatements identified during the audit have been categorized as follows:

- corrected misstatements, including disclosures
- uncorrected misstatements, including disclosures.

Corrected misstatements

The representation letter in the Appendices includes all corrected misstatements communicated to management identified as a result of the audit procedures performed.

We would like to highlight, however, the following corrected misstatements. Amounts below are reported in thousands:

	Income effect	Financial Position	Financial Position	Financial Position
Description	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Net Assets (Decrease) Increase
To adjust TCA balance - During the \$69M land under road adjustment, 1 parcel was missed in the upload to Citywide.	1,971	1,971		
To adjust TCA balance - Geomatics combined 2 parcels of land into 1 asset ID. One of the parcels was not disposed after consolidation.	(948)	(948)		
To adjust tax receivable balance - A tax dispute resolution was received by the City after December 31, 2013 on a new regulation from Minister of Finance.	(2,446)	(9,120)	(6,674)	
<u>Total</u>	<u>(1,423)</u>	<u>(8,097)</u>	<u>(6,674)</u>	

Uncorrected misstatements

Professional standards require that we request of management that all uncorrected misstatements be corrected.

Amounts below are reported in thousands:

	Income effect	Financial Position	Financial Position	Financial Position
Description	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Net Assets (Decrease) Increase
To adjust current year contributed assets (Note)	(2,374)			2,374
- A 2012 acquired asset was identified and added in 2013 inventory.				

Note: As at December 31, 2013 the closing land TCA balance was corrected. No further correction in 2014 is required in this regard.

Control deficiencies

Background and professional standards

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control].

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

Identification

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

However, based on our audit we do have a number of performance improvement observations, as follows:

Description of performance improvement observations	Potential effect and Recommendation	Management comments
Current year process improvement points:		
1) As noted above and as identified during the course of performing our procedures over the recording of additions to TCA, we identified approximately \$1M of net TCA additions as a result of errors identified during our testing that were not originally recorded by management.	This resulted in net TCA additions of \$1M that were not originally recorded in fiscal year 2013. Our discussion with management indicated that the process of recording assumed assets and transfer between TCA types relies on significant manual intervention. We recommend that a more automated process or procedure be implemented to ensure that these transfers are captured in the period in which the City takes title.	Finance will continue to explore opportunities to automate and improve process where practical. Finance will use these findings to help explore and implement improved processes.
2) During our audit testing of the self insurance liability balance at year end, we noted	We recommend that the City initiate an updated actuarial review to determine the	Finance will discuss the recommendation with Risk Management and ask them for a

Description of performance improvement observations	Potential effect and Recommendation	Management comments
that the actuarial study was not updated to capture the financial impact of certain new legislation implemented in 2013.	financial impact of the new legislation on the recorded liability and related disclosures.	2014 assessment refresh or move up the actuarial review to 2014.
Prior year process improvement points and update:		
<p>1) In fiscal year 2012, we noted that there is no standardized process or procedures in place that mandate the regular review of the Assets under Construction ("AUC") for the continued appropriateness of capitalization.</p> <p>Further discussion with management also indicated that certain Assets Under Construction projects remained open even after full completion of the projects.</p>	<p>The first observation can potentially result in material overstatement of the TCA balances as certain costs reported under AUC do not carry any future benefits.</p> <p>The second observation resulted in discrepancies in reporting the in-service dates for the Assets Under Construction projects. The in service date triggers the transfer of assets under construction to active TCA. At that point, amortization of the TCA balance commences. This results in a misstatement of amortization expense for each applicable year.</p> <p>We recommend that the nature and scope of the "Asset under Construction" reporting be expanded such that a regular review of the expense or expenditures incurred can be implemented. In addition, we recommend that open projects should be investigated more frequently</p>	<p>Status: Completed. Our year end review includes a review of all Assets under Construction.</p>

2(0)

Description of performance improvement observations	Potential effect and Recommendation	Management comments
	such that that inactive or completed projects are identified on a more timely basis and appropriate course of actions can be taken.	
2) In 2012, we noted that the report used by management to generate the vacation accrual was not complete leading to an underaccrual of \$2M.	<p>This resulted in an underaccrual in the vacation accrual-liability as at December 31, 2012 of \$2M. This item is included as a corrected audit misstatement in the management representation letter. Management investigated the root cause of this matter and indicated that this incident was due to a manual error when the report was generated, resulting in the omission of vacation liability for certain departments.</p> <p>We recommend that management perform sample testing on the report to/from external payroll records to validate the accuracy and completeness of the report in the future.</p>	Status: Complete. Finance sampled each pay group as a check and balance.

Appendices

Independence letter

Management representation letter

Current developments

Thought Leadership

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Independence letter



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www.kpmg.ca

Members of the Audit Committee
The Corporation of the City of Mississauga
300 City Centre Drive
Mississauga, ON L5B 3C1

April 16, 2014

Ladies and Gentlemen

Professional standards specify that we communicate to you in writing all relationships between the Corporation of the City of Mississauga (the "Entity") (and its related entities) and our firm, that may reasonably be thought to bear on our independence.

In determining which relationships to report, we consider relevant rules and related interpretations prescribed by the relevant professional bodies and any applicable legislation or regulation, covering such matters as:

- a) provision of services in addition to the audit engagement
- b) other relationships such as:
 - holding a financial interest, either directly or indirectly, in a client
 - holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
 - personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
 - economic dependence on a client

PROVISION OF SERVICES

The following summarizes the professional services rendered by us to the Entity (and its related entities) from April 17, 2013 (date of our last communication) up to the date of our auditors' report:

Description of Professional Services
<ul style="list-style-type: none"> • Audit of the 2013 consolidated financial statements for the Corporation of the City of Mississauga • Audit of the 2013 financial statements of the City of Mississauga Public Library Board, the City of Mississauga Trust Funds, the Next Steps to Active Living Program and the Federal Gas Tax Funds Programs • Audit of the 2012 and 2013 financial statements of Enersource Corporation • Audit of the 2013 financial statements of the City of Mississauga Clarkson Business Improvement District Association, City of Mississauga Streetsville Business Improvement District Association, City of Mississauga Port Credit Business Improvement Area and Malton Business Improvement Area Society

Professional standards require that we communicate the related safeguards that have been applied to eliminate identified threats to independence or to reduce them to an acceptable level. Although we have policies and procedures to ensure that we did not provide any prohibited services and to ensure that we have not audited our own work, we have applied the following safeguards regarding the threats to independence listed above:

- We instituted policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions.
- We obtained pre-approval of non-audit services and during this pre-approval process we discussed the nature of the engagement and other independence issues related to the services.
- We obtained management's acknowledgement of responsibility for the results of the work performed by us regarding non-audit services and we have not made any management decisions or assumed responsibility for such decisions.

OTHER RELATIONSHIPS

We are not aware of any other relationships between our firm and the Entity (and its related entities) that may reasonably be thought to bear on our independence from date of last communication up to the date of our auditors' report.

CONFIRMATION OF INDEPENDENCE

We confirm that we are independent with respect to the Entity (and its related entities) within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from date of last communication up to the date of our auditors' report.

OTHER MATTERS

This letter is confidential and intended solely for use by those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purposes.

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KPMG shall have no responsibility for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Management representation letter

KPMG LLP

Yonge Corporate Centre

4100 Yonge Street, Suite 200

Toronto, Ontario M2P 2H3

Canada

_____ (FS approval date by those that are charged with governance)

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of The Corporation of the City of Mississauga ("the Entity") as at and for the year ended December 31, 2013

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

GENERAL:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated March 30, 2011 and amendment dated October 30, 2013, for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework
 - b) providing you with all relevant information, such as all financial records and related data and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and access to such relevant information
 - c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error
 - d) ensuring that all transactions have been recorded in the accounting records and are

2(u)

reflected in the financial statements

INTERNAL CONTROL OVER FINANCIAL REPORTING:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

- 3) We have disclosed to you:
- a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud
 - b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, regulators, or others
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements

SUBSEQUENT EVENTS:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

RELATED PARTIES:

- 5) We have disclosed to you the identity of the Entity's related parties and all the related party relationships and transactions of which we are aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

ESTIMATES:

- 6) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

2(v)

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

- 7) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

COMPARATIVE INFORMATION:

- 8) In respect of the restatement/correction/adjustment/amendment related to land under road inventory made to correct a material misstatement in the comparative information (describe the effect of the restatement on comparative information), we reaffirm that the written representations we previously provided to you, in respect of the prior period financial statements, remain appropriate.

MISSTATEMENTS:

- 9) The effects of the uncorrected misstatements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- 10) We approve the corrected misstatements identified by you during the audit described in Attachment II.

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Yours very truly,

THE CORPORATION OF THE CITY OF MISSISSAUGA

By: Ms. Janice Baker, City Manager and CAO

By: Mr. Gary Kent, Commissioner of Corporate Services and Chief Financial Officer

By: Ms. Patricia Elliot-Spencer, Director, Finance

By: Mr. Mark Beauparlant, Manager, Financial Services

cc: Audit Committee

Attachment I – Definitions**MATERIALITY**

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

FRAUD & ERROR

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Attachment II

Summary of corrected audit misstatements

Impact on financial statement captions – DR(CR)																
#	Account #	Account Name	Description / Identified During	Error Type	Amount	Income Effect DR (CR)	Balance Sheet Effect					Cash Flow Effect			Statement of Comprehensive Income - Debit (Credit)	Recorded by
					DR (CR)	Income effect	Equity at period end	Financial Assets	Non-financial Assets	Financial Liabilities	Non-Financial Liabilities	Operating Activities	Investing Activities	Financing Activities		
1	111111	Land Under Road	Adjustment- Record \$1.9M of land balance		\$ 1,971,241		\$(1,971,241)	\$ -	\$ 1,971,241	\$ -	\$ -	\$	\$ -	\$ -	\$ -	
	4000	Revenue			\$(1,971,241)	\$(1,971,241)	\$ -				\$	\$ -	\$ -	\$ -		
2	1085	Taxes Receivable	To adjust tax receivable balance		\$(9,120,000)		\$ -	\$(9,120,000)	\$ -	\$ -	\$ -	\$	\$ -	\$ -	\$ -	
	2000	Accounts Payable			\$ 6,674,000	\$ -	\$ -	\$ -	\$ 6,674,000	\$ -	\$	\$ -	\$ -	\$ -		
	5051	Expenses			\$ 2,446,000	\$ 2,446,000	\$ 2,446,000			\$	\$ -	\$ -	\$ -	\$ -		
3	1500	TCA	To adjust TCA balance		\$(947,795)		\$ -	\$ -	\$ (947,795)	\$ -	\$ -	\$	\$ -	\$ -	\$ -	
	4000	Revenue			\$ 947,795	\$ 947,795	\$ 947,795			\$	\$ -	\$ -	\$ -	\$ -		
Total effect of corrected audit misstatements						\$ 1,422,554	\$ 1,422,554	\$ (9,120,000)	\$ 1,023,446	\$ 6,674,000	\$ -	\$ -	\$ -	\$ -	\$ -	

2(2)

Current Developments

Upcoming Indirect Tax Changes

Indirect taxes in Canada continue to evolve, bringing additional compliance issues and increasing the risks of over or under paying taxes. A number of major changes during 2013 that have increased the tax risk of not-for profit organizations include:

- Quebec's recent harmonization of the QST rules with the GST rules and rate change on January 1, 2013
- British Columbia's transition back to GST and PST from HST on April 1, 2013
- Prince Edward Island's new HST on April 1, 2013
- Canada Revenue Agency's increased enforcement regime

In particular the Canada Revenue Agency has increased its audit activity over the past year and has a stated intent to focus on the MUSH, NPO and charitable sectors in coming years. Canada Revenue Agency audits have raised a significant number of issues. For example, we have encountered issues in the following circumstances:

- Claiming ITCs where grants and subsidies are received in relation to the activity
- Charging and collecting GST/HST in a shared cost or related party environment
- CRA auditors failing to audit to net tax and not granting applicable rebates and/or ITCs
- Denying ITCs and/or rebates where satisfactory documentation is not present
- Unreasonable projections when using sampling methodologies for audit purposes
- Denying methodologies for allocating GST/HST paid between taxable and exempt activities for purposes of claiming ITCs and/or rebates

In addition, CRA has recently announced its intention to enforce the requirement that public service bodies claim public service body rebates of GST/HST paid or payable in the rebate claim period in which the GST/HST was paid or payable, rather than including an amount in a subsequent claim period. Public service bodies include:

- Municipalities
- Universities and public colleges
- Schools
- Hospitals
- Charities
- Public institutions
- Qualifying non-profit organizations (i.e., at least 40% of revenues from government funding)

KPMG encourages all charities and non-profit organizations to review their operations with respect to the issues discussed above. KPMG would be pleased to assist with any such review.

Managing Business Risk Related to Information Technology

Information technology and information systems are widely accepted as being key enablers of the business of most enterprises in the world today. With the ever increasing and changing profile of IT, Board Members need to be aware of and understand those things that are keeping their CIOs awake at night.

The key areas of focus and concern of CIO's or Director's of IT include the following:

- **Managing Complex Projects:** These often involve multiple stakeholders, suppliers and technologies that need active oversight and escalation of issues and risks.
- **Overseeing Delivery Partners:** The increasing reliance on others to deliver services to IT either through outsourcing or shared services arrangements.
- **Securing the Enterprise against threats, including Cyber attacks:** Access to the technology and information assets requires active and dynamic approaches to keep pace with intruders. Security is broader than just securing information systems; it encompasses personnel, business continuity, facilities and supply.
- **Emerging Technologies:** Impact on operations, and on risk.

Cyber Security, Is your organization at risk?

Cyber attacks are an inevitable part of life today, and the financial and reputational costs of not being prepared against such attacks are significant. Cyber attacks are being launched against all forms of valuable information including both financial and non financial data sources. Estimates suggest the global financial impact of cybercrime is US\$114 billion; companies are thought to bear almost 80% of those costs. The nature of these attacks and the perpetrators behind them are always changing. Hacktivists, organized criminals, competitors, and even rogue governments are mounting attacks with a high level of sophistication and persistence. These perpetrators have different motives, however are common in that they are looking to either disrupt or better themselves by stealing another entities data.

Patching servers and installing intrusion detection systems is no longer enough to protect your critical assets and business processes. Cyber Security has never been solely about IT; it has always been a business issue first. To survive and prosper requires a business-wide understanding of the threats, safeguards, and responses involved. Key elements to consider include:

- Preparing your people, processes, infrastructure and technology to resist an attack
- Detecting the attack and initiating your response
- Containing and investigating the attack
- Recovering from an attack and resuming business operations
- Reporting on and improving security

Non-profit organizations should begin to review their organization and consider Cyber Risks. Key data that may be identified includes key research data; client or member data etc.

Thought Leadership

KPMG's Not-for-Profit Practice – 2013 Year in Review

KPMG's Not-for-Profit practice proudly provided programs, webinars, publications and communications to Not-for-Profits and Charities. Below is a quick reference list for your convenience.

Program

- **Community Shift**

Community Shift is an exclusive development program and network for C-level leaders of Canadian charities and Not-for-Profit Organizations (NPOs), founded by KPMG Enterprise™ and the Richard Ivey School of Business. A rigorous annual five-day developmental program for Canada's leaders of charities and Not-for-Profits, Community Shift has changed the way participants look at their operations and provides a catalyst for change.

Publications and Communications

- **Public Service Transformed: Harnessing the Power of Behavioural Insights**

The report explores the potential and use of behavioural insights in modernizing the public service cultural transformation and provides actionable recommendations designed to encourage the four positive work behaviours (collaboration, innovation, transparency and a focus on results) that will help the public services sector adapt to changing conditions, encourage culture change and produce the kinds of outcomes and transformation that governments are demanding.

- **Future State 2030**

This report is part of a series that explores how governments must respond to the global megatrends (Demographics, Rise of the Individual, Enabling technology, Economic interconnectedness, Public debt, Economic power shift, Climate change, Resource stress, and Urbanization) driving change into 2030.

- **The Integration Imperative: reshaping the delivery of human and social services**

The report provides the results of a global survey of government and thought leaders to review active integration schemes in the human and social services sector across 22 jurisdictions from around the world. It examines the features of integration initiatives and identifies where the integration agenda is heading, including the key trends, the lessons learned, and the implications of these trends for governments, clients, and providers from the private and not-for-profit sectors.

- **Contaminated Sites – Issues and Implementation Action Plan for PS 3260**

This report addresses the Public Sector Accounting Board's accounting standard on Liability for Contaminated Sites (Section PS3260) which will affect all entities reporting under the Public Sector Accounting (PSA) standards. The report discusses why contaminated sites are an issue, provides a technical overview, explores liability measurement, and outlines an implementation action plan.

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Corporate Report

Clerk's Files

Originator's
Files

3

DATE: April 21, 2014

AUDIT COMMITTEE

MAY 05 2014

TO: Chair and Members of Audit Committee
Meeting Date: May 5, 2014

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

SUBJECT: 2013 Audited Financial Statements

RECOMMENDATION: That the 2013 Audited Financial Statements for City of Mississauga (City), City of Mississauga Public Library Board, City of Mississauga Trust Funds, Clarkson Business Improvement Area, Port Credit Business Improvement Area, Streetsville Business Improvement Area, and Enersource Corporation be received.

**REPORT
HIGHLIGHTS:**

- One of the fiduciary responsibilities of the Audit Committee is to review the annual financial statements and audit results.
- This report presents the following 2013 Audited Financial Statements for:
 - City of Mississauga
 - City of Mississauga Public Library Board
 - City of Mississauga Trust Funds
 - Clarkson Business Improvement Area
 - Port Credit Business Improvement Area
 - Streetsville Business Improvement Area
 - Enersource Corporation
- The financial statements have been audited by the City's external auditors, KPMG LLP. The City's financial statements follow the Public Sector Accounting Board (PSAB) recommendations and

comply fully with Canadian Generally Accepted Accounting principles.

- Enersource adopted International Financial Reporting Standards (IFRS).
- Appendix 2 (2013 Financial Statement Overview) provides detailed information and analysis on the financial statements and results.
- The 2013 financial results continue to demonstrate Mississauga's legacy of strong leadership and excellence in financial planning and fiscal prudence.

BACKGROUND:

The statutory function of our auditors, KPMG LLP, is to report to Audit Committee by expressing an opinion on the City's annual financial statements. The auditors conduct their audit in accordance with Canadian Generally Accepted Auditing Standards with the objective of expressing an opinion whether the City's annual financial statements present fairly, in all material respects, the financial position, results of operations and the cash flows of the City.

Management is responsible for the preparation and fair presentation of the City's annual financial statements in accordance with the Public Sector Accounting Board (PSAB) financial reporting framework.

One of the fiduciary responsibilities of the Audit Committee is to review the annual financial statements and audit results.

KPMG LLP has completed their fifth and final year of a five year audit contract (2009 through 2013).

COMMENTS:

The financial statements have been audited by the City's external auditors, KPMG LLP. The City's financial statements follow the Public Sector Accounting Board (PSAB) recommendations and comply fully with Canadian Generally Accepted Accounting principles.

The financial statements must provide information on the cost of all activities, how they were financed, investing activities and the assets and liabilities of the government. The information is to reflect the full nature and extent of the government's financial affairs.

The Audited Financial Statements are a report card on the financial position, health and strength of the City of Mississauga. The 2013 financial results continue to demonstrate Mississauga's legacy of strong leadership and excellence in financial planning and fiscal prudence.

The City of Mississauga financial statements are comprised of all organizations, committees and local boards accountable to the City for the administration of their financial affairs and resources and which are owned or controlled by the City.

Refer to Appendix 2 (2013 Financial Statement Overview) for detailed information and analysis on the financial statements and results.

To complement the audited financial statements, Finance is currently preparing the 2013 Annual Financial Report.

The 2013 Annual Financial Report will continue to be prepared in electronic format and will be available to all stakeholders on the City's website. No print versions of the Annual report will be produced for public and stakeholder distribution. A notice will be posted in the Mississauga News advising residents and other stakeholders that the Annual Financial Report will be posted and available on the City's website, www.mississauga.ca/finance where it can be printed or read at their convenience.

FINANCIAL IMPACT: The City's year-end audit fees for the 2013 financial statements were \$131,250. This audit included the City, Mississauga Public Library Board, Trust Funds, and three Business Improvement Areas.

In addition to the City's year-end audit, there were also a few smaller audit engagements such as Federal Gas Tax Reporting (\$2,500), Next Step Program (\$4,500), and Bus Rapid Transit Funding and Claims (\$1,600).

The City's 90% interest in Enersource Corporation (\$273.6 million) is reported as a financial asset on the Consolidated Statement of Financial Position. The City's share of Enersource's 2013 net income was \$19.22 million (2012 \$9.6 million) and has been reported as revenue on the City's Consolidated Statement of Financial Activities.

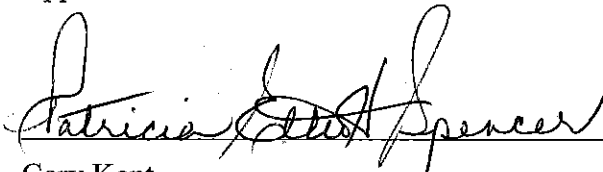
CONCLUSION:

The 2013 Financial Statements are a report on the stewardship of the City's financial affairs and the Auditor's Reports attest that they present fairly our financial position as at December 31, 2013 and the results of operations for the year then ended.

ATTACHMENTS:

Appendix 1: 2013 Audited Financial Statements

Appendix 2: 2013 Consolidated Financial Statement Overview



for Gary Kent

Commissioner of Corporate Services and Chief Financial Officer

Prepared By: Mark Beauparlant, Manager, Corporate Financial Services

2013 Consolidated Financial Statement Overview

The City of Mississauga's consolidated financial statements have been prepared in accordance with the Municipal Act and based on the reporting standards set by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

There are four required consolidated financial statements: consolidated statement of financial position; consolidated statement of operations; consolidated statement of changes in net financial assets; and consolidated statement of cash flows. These financial statements provide information on the cost of all the City activities, how they were financed, investing activities and the assets and liabilities of the City. The information also reflects the full nature and extent of the City's financial affairs similar to a private sector financial statement presentation.

Below is a high level overview of the 2013 financial results of the City.

Consolidated Statement of Financial Position (Balance Sheet)

The consolidated statement of financial position highlights four key figures that together describe the financial position of a government: (a) cash resources of the government, (b) net financial asset position calculated as the difference between financial assets and financial liabilities, (c) non-financial assets that are normally held for service provision such as tangible capital assets, (d) accumulated surplus/deficit (or in private sector terms retained earnings as there are no shareholder contributions or distributions).

Although the City continues to manage the financial operations of the City through various Funds such as the Operating Fund, the Capital Fund, and the Reserves and Reserve Funds, in accordance with PSAB, these funds are no longer reported in the consolidated financial statements and have been replaced by Accumulated Surplus. The Accumulated Surplus summarizes the Corporation's consolidated equity which identifies the financial position, including tangible capital assets, and financial resources of the City.

The City's accumulated surplus for fiscal year 2013 is \$8.251 billion (2012 \$8.225 billion). The City's 2013 accumulated surplus is comprised of the following balances: investment in tangible capital assets of \$7.8 billion; operating surplus of \$2.9 million; unexpended capital of \$116.7 million; investment in Enersource Corporation of \$273.6 million; Reserves of \$49.2 million; Reserve Funds of \$259.6 million; offset by unfunded employee benefits and other liabilities of \$189.9 million and long term debt of \$50.0 million. Refer to Note #11 in the Financial Statements for a detailed breakdown of the accumulated surplus.

The City is a 90 per cent shareholder in Enersource Corporation. Enersource's consolidated financial statements were prepared in accordance to International Financial Reporting Standards ("IFRS").

The City's 2013 Investment in Enersource Corporation is \$273.6 million (2012 \$265.0 million), an increase of \$8.6 million from the prior year. This increase is attributed to the City's \$19.5 million share of Enersource net income less a \$10.9 million dividend payment received from Enersource in 2013.

In 2013, the City's Net Financial Assets were \$452.8 million (2012 \$526.1 million), a decrease of \$73.3 million over the prior year. Total financial assets increased by \$64.3 million however total financial liabilities increased by \$137.6 million creating the decline in Net Financial Assets. Despite the decline in the past year, the City's Net Financial Assets position continues to remain financially healthy and well-positioned for the future.

- The \$64.3 million increase in total assets was attributed to a \$60.7 million increase in cash and investment holdings, an \$8.6 million increase in Enersource which was offset with minor decrease in other asset categories.
- The \$137.6 million increase in financial liabilities was mainly attributed to a \$38.7 million increase in the deferred revenue - obligatory reserve funds, \$50.0 million in new long term debt, and a \$46.5 million increase in accounts payable and accrued liabilities. The timing of payments at year-end impacted the cash and liability positions.

Total Financial Assets as of December 31, 2013 were \$1.29 billion (2012 \$1.23 billion), an increase of \$0.06 billion or \$64.3 million.

- Cash, short-term investments, and long-term investments at yearend 2013 were \$921.6 million (2012 \$860.9 million), an increase of \$60.7 million. The timing of payments at yearend impacted the cash/investment and liability positions.
- Taxes Receivable in 2013 were \$37.7 million (2012 \$46.0 million), a decrease of \$8.3 million.
- Accounts Receivable in 2013 were \$57.8 million (2012 \$56.8 million), an increase of \$1.0 million. The \$1.0 million relates to various miscellaneous receivable balances.
- Investment in Enersource Corporation in 2013 was \$273.6 million (2012 \$265.0 million), an increase of \$8.6 million from the prior year.

Total Financial Liabilities at the end of 2013 were \$841.5 million (2012 \$703.9 million), an increase of \$137.6 million from the prior year.

- Accounts Payable liabilities in 2013 were \$176.7 million (2012 \$130.2 million), an increase of \$46.5 million representing various liability accounts. The timing of payments at yearend impacted the cash/investment and liability positions.
- Deferred revenue - general in 2013 was \$7.3 million (2012 \$8.3 million), a decrease of \$1.0 million due to general fluctuations in various departmental deferred revenue accounts.
- The deferred revenue-obligatory reserve funds in 2013 were \$417.6 million (2012 \$378.9 million), an increase of \$38.7 million.
 - Provincial public transit funds in 2013 were \$98.8 million (2012 \$94.6 million), representing an increase of \$4.2 million.
 - Federal public transit funds in 2013 were \$21.2 million (2012 \$20.3 million), representing an increase of \$0.9 million.
 - Provincial gas tax funds in 2013 were \$14.9 million (2012 \$18.1 million), representing a decrease of \$3.2 million.
 - Federal gas tax funds in 2013 were \$49.7 million (2012 \$20.4 million), representing an increase of \$29.3 million.
 - Parkland funds in 2013 were \$56.4 million (2012 \$56.9 million), representing a decrease of \$0.5 million.
 - Development Charge funds in 2013 were \$176.6 million (2012 \$168.6 million), representing an increase of \$8.0 million.
- Employees benefits and other liabilities in 2013 were \$189.9 million (2012 \$186.6 million), an increase of \$3.3 million.

Non-financial assets in 2013 were \$7.8 billion (2012 \$7.6 billion).

- Non-Financial Assets are comprised primarily of tangible capital assets.

Consolidated Statement of Operations (Income Statement)

The consolidated statement of operations reports the annual surplus/deficit from operations during the accounting period. The statement shows the cost of providing the City's services, the revenues recognized in the period and the difference between them.

Revenues:

Total revenues in 2013 were \$762.1 million (2012 \$702.3 million), an increase of \$59.8 million.

- Taxation revenues (property taxes and taxation from other governments) in 2013 were \$403.4 million (2012 \$374.3 million), an increase of \$29.1 million.
 - The City had assessment growth of 0.2 percent in 2013.
 - City Council approved the 2013 budget which provided for a 6.8 percent average property tax rate increase on the City portion of the total tax bill, which includes 0.62 percent for the infrastructure levy and 0.25 percent for the Emerald Ash Borer

Program. This increase equates to an average 2.1 percent increase on the total residential tax bill.

- User charges in 2013 were \$175.9 million (2012 \$172.0 million), an increase of \$3.9 million from the prior year.
 - Transit fares represent 40.5 per cent of total user charges. Transit Fares in 2013 were \$71.3 million (2012 \$69.0 million), an increase of \$2.3 million from the prior year. Total 2013 revenue riders were 35.79 million versus the 2012 total of 34.76 million. The 3% increase in riders and a fare increase resulted in a revenue increase of \$2.3 million over 2012
 - General departmental user fees and service charges represent 28 per cent of total user charges. General departmental user fees and service charges in 2013 were \$49.2 million (2012 \$45.4 million), an increase of \$3.8 million from the prior year. Various departmental user fees (i.e. Transportation and Works Services fees, Fire Emergency Services fees, Planning and Building Services fees, Recreation membership and Program fees, etc.) accounted for this increase.
 - Golf green fees represent 1.7 per cent of total user charges. Golf green fees in 2013 were \$3.1 million (2012 \$3.3 million), a decrease of \$0.2 million from the prior year.
 - Rents and concession fees represent 12 per cent of total user charges. Rents and concession fees in 2013 were \$21.2 million (2012 \$22.1 million), a decrease of \$0.9 million from the prior year.
 - Licence and permit revenues represent 8 per cent of total user charges. Licence and permit revenues in 2013 were \$14.1 million (2012 \$14.1 million) representing a nil increase.
 - Building permit revenues in 2013 were \$9.4 million (2012 \$9.4 million), representing a nil increase.
 - Provincial offence revenues in 2013 were \$9.7 million (2012 \$8.4 million), an increase of \$1.3 million from the prior year. There were a number of variables for the increase such as higher fine amounts (more serious offences), increased compliance on payment, and increase in success of collections efforts.
- Recovery charges in 2013 were \$26.6 million (2012 \$38.7 million), a decrease of \$12.1 million from the prior year. This decrease relates to a number of major projects (i.e. RINC, ISF developments) completed in 2012.
- Development and other government contributions applied in 2013 were \$59.8 million (2012 \$14.6 million), an increase of \$45.2 million from the prior year.
 - Expenditures on development related capital projects in 2013 picked up versus the prior year. Therefore increased development and government contributions were applied against the expenditures and recognized as revenue from the deferred revenue-obligatory reserve funds in 2013.
- Penalties and interest earnings from over-due tax accounts in 2013 were \$8.0 million (2012 \$9.0 million), a decrease of \$1.0 million from the prior year.

- Other revenues in 2013 were \$7.2 million (2012 \$3.9 million), an increase of \$3.3 million from the prior year. The increase is due to one-time miscellaneous revenues in 2013.
- Contributed Assets in 2013 were \$24.0 million (2012 \$30.9 million), a decrease of \$6.9 million from the prior year. Contributed assets include land under roads, land under infrastructure, as well as general infrastructure (storm sewers, roads, pathways, streetlights, etc.) assumed by the City through development agreements.
- The City's share of Enersource Corporation net income in 2013 was \$19.5 million (2012 \$9.6 million), an increase of \$9.9 million from the prior year.
 - From this net income amount, the City was paid a dividend of \$10.9 million in 2013 (2012 \$12.3 million).

Expenses:

Expenses are broken down into major expense categories: labour and benefits, materials and supplies, contracted services, rents and financial expenses, transfer payments, and amortization.

Total expenses in 2013 were \$736.9 million (2012 \$708.0 million), an increase of \$28.9 million.

- Labour costs (salaries, wages and benefits, and PSAB labour related adjustments) in 2013 were \$425.8 million (2012 \$407.0 million), an increase of \$18.8 million or 4.6 percent from the prior year. The significant variances are broken down as follows:
 - Salary, wage, and benefit costs in 2013 were \$421.4 million (2012 \$404.8 million), an increase of \$16.6 million (4.1%). Growth in the City's labour force for new and expanded services, labour contract settlements and pay adjustments, and increased benefit costs contributed to this increase.
 - PSAB labour related accounting adjustments for actuarial WSIB and post-employment, retirement, and sick-leave liabilities in 2013 were \$3.3 million (2012 \$1.9 million), an increase of \$1.4 million from the previous year.
 - These expenses are based on the changes in Employees benefits and other liabilities in the Consolidated Statement of Financial Position. These are accrual based expenses which are not included in the City's annual budget but included in the financial statement presentation.
 - Employees benefits and other liabilities in 2013 were \$189.9 million (2012 \$186.6 million), an increase of \$3.3 million. This adjustment reflects the change in actuarial assessment, assumptions, and estimates from the previous year.
 - Other miscellaneous labour adjustments accounted for the balance of the increase.
- Materials and supplies in 2013 were \$53.1 million (2012 \$53.1 million), a nil increase from the prior year.
 - Winter control supply costs were \$7.3 million (2012 \$3.7 million), and increase of \$3.5 from the prior year primarily due to an increased snowfall and events.
 - This increase was offset by reductions in other material and supply categories.

- Contracted services in 2013 were \$65.4 million (2012 \$61.5 million), an increase of \$3.9 million from the prior year.
 - Contracted services for standby winter control in 2013 were \$16.3 million (2012 \$13.0 million), an increase of \$3.3 million over the previous year due to an increased snowfall and events.
 - Contracted services for storm sewer related projects accounted for the majority of the remaining increase.
- Rent and financial expenses in 2013 were \$65.4 million (2012 \$59.0 million), an increase of \$6.4 million from the prior year.
 - Property tax related adjustments in 2013 were \$12.0 million (2012 \$6.8 million), an increase of \$5.2 million over the prior year.
 - Transportation and maintenance service related costs increased by \$1.0 million.
 - Recreation and cultural service related costs increased by \$0.8 million.
- Amortization of Tangible capital assets in 2013 was \$119.6 million (2012 \$116.6 million), an increase of \$3.0 million from the prior year.
- Loss on disposal of assets in 2013 was \$2.7 million (2012 \$6.9 million), a decrease of \$4.2 million.

Consolidated Statement of Change in Net Financial Assets

The statement of change in net financial assets (net debt) explains the difference between a municipality's surplus or deficit for the reporting year and its change in accumulated surplus in the same reporting year. This statement provides the reporting of the acquisition of tangible capital assets and other significant items that impact the difference between the annual surplus/ (deficit) and the change in net financial assets (net debt).

Consolidated Statement of Cash Flows

The statement of cash flows reports changes in cash and short-term investments resulting from operations and shows how the City financed its activities during the year and met its cash requirements.

Tangible Capital Assets Overview:

All City assets as at the end of 2013 have been inventoried, valued, and recorded in an Asset Registry for accounting and reporting purposes. The City's net book values of tangible capital assets at the end of 2013 were \$7.79 billion (2012 \$7.69 billion). Refer to Note #10 in the financial statements for a detailed breakdown of tangible capital asset activity for 2013.

Annual amortization expense in 2013 was \$119.6 million (2012 \$116.6 million). The City currently only funds \$31.0 million or 26 per cent of its amortization expense.

2013 Major Capital Project Highlights:

Some of the major capital projects undertaken in 2013 include:

Community Services

- The Holcim Waterfront Estate event venue and heritage site opened to accommodate banquets, corporate events and staff training.
- A new air handling and heating system was installed at Frank McKechnie Community Centre Pool
- The pool and change rooms at South Common Community Centre were updated and improved.
- All 18 library locations had digital signs installed to improve communication about the library and other City programs and services.
- The design and plan for the relocation of Fire Station 119 which includes a Peel Regional Paramedic Services Satellite Station, has been completed.
- Cooksville Four Corners was transformed into an attractive public place in the heart of historic Cooksville.
- The Riverwood Conservancy's Enabling Garden opened to provide a hands-on teaching garden that is accessible to people of all ages and abilities.
- Holcim Waterfront Estate grounds were developed to enhance the ecological, cultural and recreational asset that is Mississauga's shoreline.
- Park improvements and redevelopments completed include: Lisgar Fields, Tobias Mason Community Park, Churchill Meadows Community Common, Lakefront Promenade, Jim Murray Community Park, Huron Heights and Meadow Green Park.
- More than 48,000 trees and shrubs were planted on City land in 2013.
- The City acquired just over three hectares (about 7.5 acres) of new park and greenbelt lands.

Corporate Services

- The technology that supports the library's public access computers was rebuilt from the ground up to include many new enhancements to ease management of the system.

All 430 public access computers were replaced with brand new, faster, more reliable computers to improve service to people who use the library

- A new web-based Citizen self-service portal on the City's website was launched to improve public access to 311 eGovernment services.
- Migration to new state of the art data centre has improved the speed of the City's website to improve navigation for users and content management for staff.
- Roofs were replaced at the Mississauga Seniors' Centre, the Picnic Shelter at Mississauga Valley, Malton Day Care, Burnhamthorpe Community Centre, the Comfort Station at the Meadowvale Conservation Area and the Living Arts Centre.
- The pool and environmental systems were improved at South Common Community Centre
- Sports lighting was replaced at Dunton Athletic Field, Meadowvale Sports Park, Mississauga Valley Community Centre Fields and Wildwood Park.
- Pathway lighting was replaced at various parks throughout the City.
- Mechanical repairs were made to the Mississauga Seniors' Centre, the Central Library, Erin Mills Twin Arena and Port Credit Library.
- Structural repairs were completed at Cawthra Elliot House, Chappell Estate and Streetsville Park.

Transportation and Works

- Burnhamthorpe Road East from Hurontario Street to Dixie Road was reconstructed, adding new transit laybys, and improving cycling facilities and noise barriers.
- Forty-three kilometres of 88 roads in Mississauga were resurfaced as part of the 2013 Resurfacing Program.
- Eight kilometres of new sidewalks were installed as part of the 2013 Sidewalk Program.
- Twenty-two kilometres of new cycling facilities were installed along Bristol Road, Unity Drive, Creditview Road, Cawthra Road, Winston Churchill Boulevard, Southdown Road, Colonial Drive, Ridgeway Drive, Coopers Avenue, City Centre Drive, Queensway East, Drift Current Drive, Derry Road and Constitution Boulevard.
- The energy-efficient LED (Light Emitting Diode) street light project is on track to be completed by the end of 2014. Work crews have completed 22,000 of the 49,000 street lights planned for conversion. The new lighting system includes more monitoring and controls system to better manage the streetlight network.
- One kilometre of noise barriers was replaced along Rathburn Road West, McLaughlin Road, Creditview Road, and Eglinton Avenue West.

- On-street parking facilities were installed along Burnhamthorpe Road West off-street and Kariya Drive.
- Interior upgrades at various fire stations, Malton Satellite Transit Terminal and Malton Works Yard Depot were completed.
- Improvements were made to the Mississauga Canoe Club and Credit Valley Tennis Club.
- Frank MacKechnie Pool was renovated.
- Sheridan Creek, Turtle Creek and the Credit River Tributary received watercourse improvements
- Twenty-four buses were replaced.
- Thirteen new bus shelters were installed.
- Lighting was improved and cameras added to the South Common Mall transit terminal
- Mississauga's Transitway bus rapid transit facilities between Highway 403/Eastgate Parkway corridor from the City Centre to Dixie Road were completed.
- Planning and preliminary design work for the Hurontario/Main Light Rail Transit (LRT) project is nearing completion.
- Mobile Licensing and Information Technology implemented an in-car Mobile Licensing Data Base to allow officers to get the most up-to-date information quickly, and better coordinate enforcement activities.

Reserves and Reserve Funds Overview:

Although Reserves and Reserve funds are not formally reported directly in the financial statements, they are a key area in the financial management and operations of the City. Reserves and Reserve Fund balances are consolidated within the Accumulated Surplus position on the Consolidated Statement of Operations. Refer to Note #11 in the financial statements for more Reserve and Reserve Fund information.

Reserves and Reserve Funds are established by Council. These funds are set aside to help offset future capital needs, obligations, pressures and costs. They are drawn upon to finance specific purpose capital and operating expenditures as designated by Council, to minimize tax rate fluctuations due to unanticipated expenditure and revenue shortfalls, and to fund on-going programs (i.e. insurance and employee benefits).

Reserves and Reserve Funds balances at the end of 2013 totalled \$308.8 million (2012 \$323.1 million), a decrease of \$14.3 million from the prior year. The Reserves and Reserve Fund total do not include development charges and senior government grants that are reported as deferred

revenue - obligatory reserve funds on the Statement of Financial Position.

Reserves:

Reserves, which are discretionary in nature, are generally used to offset major fluctuations in operating costs/revenues or to fund future contingent liabilities. Total Reserves in 2013 were \$49.2 million (2012 \$50.7 million), a decrease of \$1.5 million.

Reserve Funds:

Reserve Funds are non-discretionary, segregated and restricted to meet specific identified purposes for the municipality. Total Reserve Funds in 2013 were \$259.6 million (2012 \$272.4 million), a decrease of \$12.8 million from the prior year. This decrease is the result of the drawdown of Reserve Funds to finance capital projects. This drawdown is greater than funds being transferred or deposited into the Reserve Funds. The reduction in capital reserves has been presented for many years as part of the City's capital forecast.

The Reserve and Reserve Funds will help the City meet the projected expenditure needs in the upcoming years. However, draws on Reserve and Reserve Funds in future years to support our growing capital infrastructure and maintenance needs will reduce these balances and therefore reduce total accumulated surplus. This has been anticipated for many years, recognizing that as the City matured, infrastructure renewal would require increased funding. Additional funding support is needed from senior levels of government as well as on-going increased annual contributions from the operating funds, in order to help sustain and invest in new and replacement infrastructure.



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DATE: April 24, 2014

AUDIT COMMITTEE

MAY 05 2014

TO: Chair and Members of Audit Committee
Meeting Date: May 5, 2014

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

SUBJECT: **Status of Outstanding Audit Recommendations as of March 31, 2014**

RECOMMENDATION: That the report dated April 24, 2014 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of March 31, 2014 be received for information.

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 made 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 March 31, 2014.

COMMENTS: A summary of recommendations which were outstanding as of September 30, 2013 (the effective date of the previous report to the Audit Committee) and new recommendations which were scheduled for completion from October 1, 2013 to March 31, 2014 is attached as Appendix 1. This report does not include recommendations which were scheduled for implementation after March 31, 2014.

Seven (7) of the thirteen (13) recommendations which were previously outstanding as at September 30, 2013 have since been completed and implementation of these recommendations has been verified by Internal Audit. Detailed comments and status for the six (6) recommendations that are still outstanding are attached in Appendix 2. Four (4) of the recommendations are dependent on implementation of the Administrative Penalty System. The remaining two (2) deal with training and certification of staff and enhancement of reporting. These recommendations are all due to be completed by the end of the year.

In addition, fifty-six (56) new recommendations that were due between October 1, 2013 and March 31, 2014 were added to the list. Forty (40) have been completed and implementation of these recommendations has been verified by Internal Audit. Of the remaining sixteen (16), eight (8) will be done by July 1, five (5) will be completed by September 30, one (1) by the end of the year and the remaining two (2) relating to policy revision where additional research is required will be completed in 2015.

FINANCIAL IMPACT: None

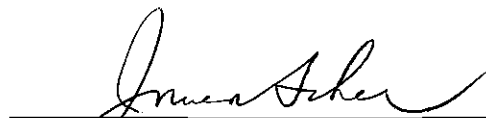
CONCLUSION: Continuous efforts are being made by staff to implement audit recommendations and progress is closely monitored to ensure timely implementation.

In summary, sixty-nine (69) recommendations were scheduled for implementation prior to March 31, 2014. Seven (7) of the recommendations that were outstanding from the previous status report of September 30, 2013 were completed and an additional forty (40) with due dates between October 1, 2013 and March 31, 2014 were done. Of the twenty-two (22) recommendations that are in progress as at March 31, 2014, twenty (20) will be completed prior to the end of 2014 and the remaining two (2) are expected to be done in 2015.

ATTACHMENTS:

Appendix 1: Status of Outstanding Audit Recommendations as of March 31, 2014

Appendix 2: Status of Audit Recommendations Outstanding as of September 30, 2013 and still in progress as of March 31, 2014



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

Prepared By: Barbara Webster, Senior Internal Auditor

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Appendix 1

**STATUS OF OUTSTANDING AUDIT RECOMMENDATIONS
AS OF MARCH 31, 2014***

(1) Audit	(2) Date Issued	(3) Outstanding* September 30, 2013	(4) New**	(5) Implemented/ Resolved	(6) In Progress March 31, 2014
Health Benefits Contracts	11/10	1		1	
Mobile Licensing Revenue	02/11	5		1	4
Compliance & Licensing Revenue	09/11	1			1
Active Directory	09/11	1			1
Cash Receipt Forms	02/12	1		1	
Mississauga Spectator Arena Complex (Hershey Centre) – Phase 1	04/12	3		3	
Parking Enforcement Revenue	02/13		2	2	
Internal Audit Quality Assessment Review	02/13		1	1	
2012 KPMG Management Letter	04/13		2	2	
I.T. Hardware Inventory	08/13		8	3	5
Library Union Payroll	09/13	1		1	
Paid Parking	09/13		18	12	6
Mississauga Spectator Arena Complex (Hershey Centre) – Phase 2	09/13		7	5	2
Building Enforcement Inspection Review	12/13		16	13	3
Marina Operations	02/14		2	2	
TOTAL		13	56	47	22

* This column includes only recommendations which were originally scheduled for implementation on or prior to September 30, 2013 (effective date of the previous report to the Audit Committee in November 2013).

** Recommendations in the "New" column were originally scheduled for completion between October 1, 2013 and March 31, 2014 (effective date of the current report to the Audit Committee).

**STATUS OF AUDIT RECOMMENDATIONS
OUTSTANDING AS OF SEPTEMBER 30, 2013 AND
STILL IN PROGRESS AS OF MARCH 31, 2014**

	Category	Audit	No. of Recommendations	Comments/Status
1.	Update of Business Practices	2011 Mobile Licensing Revenue	1	Read only access to the provincial ICON system, to check on the status of any tickets or fines issued by Enforcement before processing applications for licences, was denied by the Province. With the implementation of the Administrative Penalty System, a new process will be completed by the end of 2014.
2.	Enhancement of Computer System	2011 Mobile Licensing Revenue	2	Staff are working with Information Technology on the AMANDA application to enhance operational controls and these recommendations are expected to be completed before the end of 2014 and rolled out with the implementation of the Administrative Penalty System.
3.		2011 Compliance and Business Licensing Revenue	1	Staff are continuing working with Information Technology on report identification and creation for Charity Gaming.
4.	Training	2011 Mobile Licensing Revenue	1	Priority is given to documentation of the business processes and training manual for the revamped AMANDA system. Staff will undergo training during the roll out of AMANDA and the Administrative Penalty System. This recommendation is expected to be completed by the end of 2014 due to a phased roll-out.
5.		2011 Active Directory	1	Information Technology has had one staff member trained and working towards certification as an MCSA (Microsoft Certified Solutions Associate). Training and certification of an additional staff will be considered as part of the implementation of recommendations from the IT E3 Review.
	TOTAL		6	

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DATE: April 25, 2014

AUDIT COMMITTEE

MAY 05 2014

TO: Chair and Members of Audit Committee
Meeting Date: Monday, May 5, 2014

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

SUBJECT: **Final Audit Reports:**
**1. Corporate Service Department, Finance Division, Investments
Section – 2013 Investment Audit, and**
**2. Corporate Services Department, Revenue & Materiel
Management Division, Revenue & Taxation Section – Accounts
Receivable Collections Audit.**

RECOMMENDATION: That the report dated April 25, 2014 from the Director of Internal Audit with respect to final audit reports:
1. Corporate Service Department, Finance Division, Investments Section – 2013 Investment Audit, and
2. Corporate Services Department, Revenue & Materiel Management Division, Revenue & Taxation Section – Accounts Receivable Collections 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.”

5(a)

COMMENTS:

Internal Audit has completed finalization of two audits, being:


1. Corporate Service Department, Finance Division, Investments Section – 2013 Investment Audit, and
2. Corporate Services Department, Revenue & Materiel Management Division, Revenue & Taxation Section – Accounts Receivable Collections Audit.

The two audit reports are separately bound and are hereby submitted to the Audit Committee for consideration.

FINANCIAL IMPACT: Not applicable

CONCLUSION:

The Corporate Service Department, Finance Division, Investments Section – 2013 Investment Audit, and Corporate Services Department, Revenue & Materiel Management Division, Revenue & Taxation Section – Accounts Receivable Collections Audit are now complete and are submitted for consideration by the Audit Committee.



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

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