

# MINUTES



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## AUDIT COMMITTEE

THE CORPORATION OF THE CITY OF MISSISSAUGA

**MONDAY, MAY 5, 2014 – 9:04 AM**

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

### Members Present

Mayor Hazel McCallion (arrived at 9:12 a.m.)  
Councillor 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  
Jeff Jackson, Acting Commissioner, Corporate Services and Chief Financial Officer  
Mark Beauparlant, Manager of Corporate Financial Services  
Sally Eng, Director, Internal Audit  
Kevin M. Travers, Partner, KPMG, external auditors  
Carmela Radice, Legislative Coordinator, Office of the City Clerk

CALL TO ORDER - 9:04 a.m.

DECLARATIONS OF (DIRECT OR INDIRECT) PECUNIARY INTEREST - Nil

(a) That the Audit Committee minutes of March 3, 2014 be approved as presented.

Approved (B. Crombie)

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

There was no discussion.

Recommendation

AC-0004-2014

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.

Approved (R. Starr)

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

Mayor McCallion arrived at 9:12 a.m.

Councillor Mullin and Starr inquired about the recorded audit misstatement in the 2013 financial statements, process of asset management and vacation accrual. Kevin M. Travers, Partner, KPMG, External Auditor indicated that there were two parcels of land that were not recorded in the 2013 financial statements. The financial statement has been corrected and it is recommended that the information needs to get to Finance on a timelier basis. Mr. Travers and Mark Beauparlant, Manager of Corporate Financial Services indicated that the process for asset management has a manual component as well as an automated component. Mr. Travers indicated that some departments were missed last year and it was corrected and completed last year.

#### Recommendation

AC-0005-2014

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.

Received(R. Starr)

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

Councillor Starr inquired about auditing all of the City of Mississauga's Business Improvement Areas and the dividends from Enersource. Kevin M. Travers, Partner, KPMG, External Auditor indicated that the BIAs are audited by the City's external auditors, KPMG LLP. Janice Baker, City Manager and Chief Administrative Officer spoke about the process of the dividends from Enersource. Mayor McCallion inquired about the Federal and Provincial gas tax funds, penalties and interest earnings and what improvements were made to the Mississauga Canoe Club. Mark Beauparlant, Manager of Corporate Financial Services indicated that the revenue-obligatory reserve funds in 2013 have to be accounted for in the financial statements and that the revenue from both the federal and provincial gas funds are not listed because they are not attached to a capital project. Jeff Jackson, Acting Commissioner, Corporate Services and Chief Financial Officer indicated that the amount fluctuates with the economy. Ms. Baker indicated that there were no community services staff able to respond to the improvements made to the Mississauga Canoe Club and suggested that the response to the inquiring will be sent to her and she will share with the Committee.

Councillor Crombie inquired about the City's accumulated surplus of unexpended capital, the City's decrease of the net financial assets, development and other government contributions, the increase in expenses and the decrease in reserves and reserve funds. Ms. Baker indicated that the unexpended capitals are projects that are underway but have not been completed. Mr. Beauparlant indicated that there was an increase in cash investment holdings and Enersource earnings and offset by the increase in financial liabilities which were from capital project expenditures that could not be paid by end of year, ice storm clearing and snow removal. He further indicated that the development and government contributions were applied against the expenditures and recognized as revenue from the deferred revenue-obligatory reserve funds in 2013. Ms. Baker indicated that it is the increase that is approved during the budget each year. Mr. Beauparlant indicated that the decrease is the result of the drawdown of reserve funds is due to finance capital projects. Ms. Baker indicated that reserve draws vary from year to year depending on the works in process and as the City moves forward the reserve fund will decrease. Mayor McCallion inquired about the ice storm funding, gas tax funding in light of the provincial election and requested that the Treasurer provide a statement as to funds that are at risk. Ms. Baker indicated that the funds that were allocated to the City regarding the ice storm will be provided to the City and the gas tax fund is at the discretion of the government.

#### Recommendation

AC-0006-2014

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.

#### Received (B. Crombie)

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.**

There was no discussion.

#### Recommendation

AC-0007-2014

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.

Received (J. Tovey)

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.**

Sally Eng, Director of Internal Audit introduced Tara Zammit as a new member to Internal Audit as an Audit Associate. She further provided a summary of the investments section 2013 Investment Audit.

Barbara Webster, Senior Internal Auditor provided a summary of the Revenue and Materiel Management Division revenue and taxation section accounts receivable collections audit. She further indicated that there were 14 recommendations that resulted from this audit three (3) deal with compliance to legislative and corporate requirements, two (2) relate to safeguarding of information with respect to access to Accounts Receivable Collection (ARC) system, one (1) addresses the need to refine and finalize operational procedures to augment operational control. The remaining eight (8) recommendations speak to opportunities to enhance efficiencies and effectiveness of the invoicing and collection processes, many which will be considered in the upgrade to the ARC system. One of the 14 recommendations has been addressed; two (2) will be done by June 2014; nine (9) will be completed before September 2014, and the one relating to operational procedures will be completed by December 2014. The remaining recommendation relating to the project for the Lean Program will be dependent on the work plan of the Corporate Performance and Innovation Division. Councillor Mullin inquired about the invoices regarding the motor vehicle accidents. Ms. Webster indicated that better coordination of efforts of all departments is required to ensure all costs incurred by the City as a result of incidents which involve multiple business units are billed on a timely basis. Councillor Crombie inquired about the collection agencies. Ms. Webster indicated that the first placement collection agencies have eight months to collect and after which all outstanding accounts are returned to the City for review and forwarded to the second placement collection agency which had up to two years to collect after which the accounts are returned to the City for final assessment. Members of the Committee inquired about the issues that have been previously identified, the return of this audit and the completion date of the modifications of the ARC system.

Ms. Eng indicated that three issues have resurfaced and with the recommendations that have been suggested those three issues should be rectified. She further indicated that staff will be working with the departments in conjunction with the Lean Program. Jeff Jackson, Acting Commissioner of Corporate Services and Chief Financial Officer indicated that the modifications to ARC will be completed by September 30, 2014 and will be implemented in approximately six to nine months from September 30, 2014.

Recommendation

AC-0008-2014

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.

Received(B. Crombie)

INQUIRIES - Nil

CLOSED SESSION - Nil

ADJOURNMENT – 9:54 a.m. (R. Starr)