



Audit Committee

Date

2015/09/21

Time

9:00 AM

Location

Civic Centre, Council Chamber,
300 City Centre Drive, Mississauga, Ontario, L5B 3C1 Ontario

Members

Bonnie Crombie

Jim Tovey

Karen Ras

Ron Starr

Matt Mahoney

Mayor

Councillor - Ward 1

Councillor - Ward 2

Councillor - Ward 6 (Chair)

Councillor - Ward 8

Contact

Carmela Radice, Legislative Coordinator, Legislative Services
905-615-3200 ext. 5426

carmela.radice@mississauga.ca

Find it online

<http://www.mississauga.ca/portal/cityhall/councilcommittees>

1. **CALL TO ORDER**

2. **APPROVAL OF AGENDA**

3. **DECLARATION OF CONFLICT OF INTEREST**

4. **MINUTES OF PREVIOUS MEETING**

4.1. Draft Minutes of the May 11, 2015 Audit Committee meeting **Pages 4-8**

5. **DEPUTATIONS – Nil**

6. **MATTERS TO BE CONSIDERED**

6.1. 2015 Internal Audit Work Plan Status Report **Pages 9-16**

Recommendation

1. That the report dated September 1, 2015 from the Director, Internal Audit, with respect to the status of the 2015 Internal Audit Work Plan be received for information.
2. That the CLASS Facilities Rental and Food & Beverage/Banquet Audits originally planned for 2015 be postponed to 2016.

Recommend Receipt

6.2. Final Audit Reports: **Pages 17-end**

1. Corporate Services Department, Human Resources Division - Overtime/Lieu Time Audit (Non-Union Employees),
2. Corporate Services Department, Communications Division - 311 Citizen Contact Centre Review, and
3. Transportation and Works Department, Works Operations and Maintenance Division, Works and Technical Services Section - Winter Maintenance Contracts Audit.

Recommendation

That the report dated August 31, 2015 from the Director of Internal Audit with respect to final audit reports:

-
1. Corporate Services Department, Human Resources Division – Overtime/Lieu Time Audit (Non-Union Employees),
 2. Corporate Services Department, Communications Division – 311 Citizen Contact Centre Review, and
 3. Transportation and Works Department, Works Operations and Maintenance Division, Works and Technical Services Section – Winter Maintenance Contracts Audit be received for information.

Recommend Receipt

7. **INQUIRIES**
8. **CLOSED SESSION –Nil**
9. **ADJOURNMENT**

Audit Committee

Date

May 11, 2015

Time

9:03 a.m.

Location

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

Members Present

| | |
|-------------------------|------------------------|
| Mayor Bonnie Crombie | (arrived at 9:56 a.m.) |
| Councillor Karen Ras | Ward 2 |
| Councillor Ron Starr | Ward 6 (Chair) |
| Councillor Matt Mahoney | Ward 8 |

Members Absent

| | |
|----------------------|--------|
| Councillor Jim Tovey | Ward 1 |
|----------------------|--------|

Staff Present

Janice Baker, City Manager and Chief Administrative Officer
Gary Kent, Commissioner, Corporate Services and Chief Financial Officer
Jeff Jackson, Acting Director of Finance and Treasurer
Mark Beauparlant, Manager of Corporate Financial Services
Sally Eng, Director, Internal Audit
Kevin M. Travers, Partner, KPMG, External Auditor
Carmela Radice, Legislative Coordinator, Office of the City Clerk

Find it online

<http://www.mississauga.ca/portal/cityhall/auditcommittee>

Call to Order – 9:03 a.m.

Approval of the Agenda

That the agenda be approved as presented.

Motion: Moved by K. Ras

Declarations of Conflict of Interest - Nil

Minutes of Previous Meeting

That the Audit Committee minutes of September 8, 2014 be approved as presented.

Approved (K. Ras)

Deputations

(a) Orientation of Municipal Financial Statements

Kevin Travers, External Auditor provided information regarding the orientation of Municipal Financial Statements including a brief history, responsibility of setting standards and elements of the statements such as financial position, operations, changes in net financial assets, net debt and cash flow. He further spoke about the differences between municipal financial reporting and municipal budgeting. Councillor Starr inquired about dividends in Enersource. Mr. Travers described the dividend process.

Matters to be Considered

1. Report dated April 23, 2015, from the Commissioner of Corporate Services and Chief Financial Officer re: **2014 Audited Financial Statements**.

Gary Kent, Commissioner of Corporate Services and Chief Financial Officer provided an overview of the 2014 Audited Financial Statements for the City of Mississauga. Councillor Ras inquired about tangible capital assets and acquisition of inventory supplies. Jeff Jackson, Acting Director of Finance and Treasurer spoke to the tangible assets and the process of the acquisition of inventory supplies. Councillor Starr inquired about the surplus, amortization, reserved contributions and if the City benchmarks to other municipalities. Kevin M. Travers, Partner, KPMG, External Auditor indicated that every municipality's process regarding surplus, amortization and reserved contributions would be different. Janice Baker, City Manager and Chief Administrative Officer spoke about making adjustments to service levels and that would be further discussed during Budget Committee meetings.

Recommendation

AC-0005-2015

That the 2014 Audited Financial Statements for City of Mississauga (consolidated), City of Mississauga Public Library Board, City of Mississauga Trust Funds, Clarkson Business Improvement Area, Port Credit Business Improvement Area, Streetsville Business Improvement Area, Malton Business Improvement Area, and Enersource Corporation be received.

Received (K. Ras)

2. Report dated April 23, 2015 from the Commissioner of Corporate Services and Chief Financial Officer re: **2014 External Audit Findings Report.**

Kevin M. Travers, Partner, KPMG, External Auditor provided an overview of the 2014 External Audit Findings Report.

Recommendation

AC-0006-2015

That the 2014 External Audit Findings Report dated April 23, 2015 from the Commissioner of Corporate Services and Chief Financial Officer, which includes the Audit Findings Report from KPMG for the fiscal year 2014 for the City of Mississauga (City), be received for information.

Received (M. Mahoney)

3. Report dated April 29, 2015 from the City Manager and Chief Financial Officer re: **Status of Outstanding Audit Recommendations as of March 31, 2015.**

There was no discussion.

RECOMMENDATION

AC-0007-2015

That the report dated April 29, 2015 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of March 31, 2015 be received for information.

Received (K. Ras)

4. Report dated April 23, 2015 from the Director of Internal Audit re: **Final Reports: 1. Community Services Department, Parks & Forestry Division, Parks Operations Section – Parks Work Records Audit, and 2. Corporate Services Department, Finance Division, Accounts Payable Section – One Time Vendor Payment Audit.**

Sally Eng, Director of Internal Audit introduced the two audit reports.

Thomas Kelly, Senior Internal Audit provided a summary of the Community Services Department, Parks & Forestry Division, Parks Operations Section – Parks Work Records Audit. He further indicated that the audit resulted in eight recommendations of which four address concerns with enhancing operational controls and financial reporting, three deals with safeguarding of assets and information and one for compliance with and clarification of Corporate Requirements. Management agreed with the recommendations of which three will be done before June 30, 2015; two by September 30, 2015 and the remaining three before the end of the year. Councillor Ras indicated that the audit report was well written. Councillor Starr inquired about a work record. Wesley Anderson, Manager Operational Planning and Analysis indicated that a work record is submitted by staff once work has been completed. Janice Baker, City Manager and Chief Administrative Officer indicated that the data collected is used to look for inefficiencies.

Mayor Crombie arrived at 9:56 a.m.

Tara Zammit, Audit Associate provided a summary of Corporate Services Department, Finance Division, Accounts Payable Section – One Time Vendor Payment Audit. She further indicated that the audit resulted in five recommendations; four address Compliance with and Clarification of Corporate requirements and one relates to Operational Control. One of the recommendations has been completed and two will be implemented by the end of June and the two remaining will be done by August 31, 2015. Councillor Ras requested clarification on the PCard approval process and repeat purchases. Sally Eng, Director of Internal Audit spoke to the approval process and repeat purchases. Councillor Starr inquired about the cost of a vendor. Gary Kent, Commissioner of Corporate Services and Chief Financial Officer responded to the inquiry about the cost of a vendor.

Recommendation

AC-0008-2015

That the report dated April 23, 2015 from the Director of Internal Audit with respect to final audit reports:

1. Community Services Department, Parks & Forestry Division, Parks Operations Section – Parks Work Records Audit, and
2. Corporate Services Department, Finance Division, Accounts Payable Section – One Time Vendor Payment Audit, be received for information.

Received (M. Mahoney)

Inquiries - Nil

Closed Session

Pursuant to Subsection 239 (2) of the Municipal Act, Councillor Ras moved the following motion:

Whereas the *Municipal Act, 2001*, as amended, requires Council to pass a motion prior to closing part of a meeting to the public;

And whereas the Act requires that the motion states the act of the holding of the closed meeting and the general nature of the matter to be considered at the closed meeting;

Now therefore be it resolved that a portion of the General Committee meeting to be held on May 11, 2015 shall be closed to the public to deal with the following matter:

Security of the property re: **IT Security Briefing (Verbal)**

This motion was voted on and carried at 9:58 a.m.

Returned from Closed Session at 10:44 a.m.

(i) Security of the property re: **IT Security Briefing (Verbal)**

Shawn Slack, Director of IT provided a verbal update regarding IT Security Briefing.

Recommendation

AC-0009-2015

That the IT Security Briefing presentation be received for information.

Received (Mayor Crombie)

Adjournment - 10:45 a.m. (Mayor Crombie)

| | |
|--|---------------------------------|
| Date: 2015/09/01 To: Chair and Members of Audit Committee From: Sally P. Eng, CPA, CA, CMA Director, Internal Audit | Originator's files: |
| | Meeting date: 2015/09/21 |

Subject

2015 Internal Audit Work Plan Status Report

Recommendation

1. That the report dated September 1, 2015 from the Director, Internal Audit, with respect to the status of the 2015 Internal Audit Work Plan be received for information.
2. That the CLASS Facilities Rental and Food & Beverage/Banquet Audits originally planned for 2015 be postponed to 2016.

Report Highlights

- All projects on the approved 2015 Internal Audit Work Plan have been completed or are in various stages of progression, with the exception of the CLASS Facilities Rental and the Food & Beverage/Banquet Audit. Due to a staff absence within the Internal Audit Division, it is proposed that these two audits be postponed to 2016.
- 20% of available audit staff time has been spent on consulting services and special assignments. The amount of time spent in this area will increase as Internal Audit was recently requested to participate in a number of Corporate projects involving the Stormwater Program, Procurement Cards and the bank reconciliation and accounts receivable/collection processes.
- 4% of the available audit staff time has been spent on training and professional development for staff so far in an effort to maintain an audit team with versatile skills and to network with auditors and staff from other municipalities.

Background

The Internal Audit Charter (By-law 0065-2013) charges the Director, Internal Audit with the responsibility to develop and submit an annual audit work plan to the Audit Committee for

review

and approval and to provide periodic updates to the Committee on the status of the work plan.

A three year Internal Audit Work Plan for 2015 to 2017 was approved by the Audit Committee on March 9, 2015. This report provides the status of the audits noted for 2015 and shows the consultative projects and other initiatives which Internal Audit has undertaken or has committed to during the period of January to August 2015.

Comments

The 2015 Internal Audit Work Plan is being executed as anticipated with two exceptions. Appendix 1 to this report details the status of each project as of August 2015.

Assurance Projects (Audits)

Of the 20 audits approved by the Audit Committee on March 9, 2015 and listed on Appendix 1,

- Nine (9) have been completed.
- Reports for two (2) Audits, i.e. Facilities & Property Management (F&PM) Current Maintenance Contracts and Rental and Lease Agreements, are being drafted.
- Testing for the 2015 Investment Audit, and planning for the Transportation & Works Capital Construction Contracts Audit; SportZone Audit and IT Security Review are currently underway.
- Three (3) Audits are expected to commence in the Fall i.e. Corporate Fleet Inventory and Maintenance; Meadowvale Theatre and F&PM Capital Maintenance Contracts.
- Commencement of two (2) Audits that were originally planned for 2015, i.e. CLASS Facilities Rental and Food & Beverage/Banquet has been delayed.

Due to the impact of an extended absence within the small staff complement of the Internal Audit Division, timing of the projects that were originally planned for 2015 have been revisited. With the current level of resources available, it is proposed that the CLASS Facilities Rental and Food & Beverage/Banquet Audits be postponed to 2016.

Consultative Services

The number of requests for consultative services continues to rise as Internal Audit is committed to promoting a proactive and collaborative approach in working with management. As of August 2015, 20% of available audit staff time was spent on providing advice and feedback to staff and management and on special assignments. Part of this was attributed to the time required for the development and refinement of the Integrated Risk Assessment Framework; setup, testing and implementation of the Whistleblower Program; and time spent by the Audit Associate in assisting with the organization of the City Manager's Leadership Conference and in conducting Lean Projects as part of her professional development.

Consulting hours also include time spent on assisting staff in the implementation of audit recommendations; commenting on new or amended Corporate policies and procedures, and business processes; as well as relaying to staff any discussion papers, publications, professional standards or industry best practices that are relevant in addressing existing and emerging issues or risks which may affect the City, especially in the area of information technology.

Consulting hours will further increase as Internal Audit has recently committed to participating in a number of Corporate projects involving the Stormwater Program, Procurement Cards and the automation of bank reconciliation and replacement of the Accounts Receivable Collection system.

Continuous Improvement and Staff Development

In an effort to maintain an audit team with versatile skills to provide value to the City, staff have attended courses, seminars and webinars to further enhance their knowledge and skills related to internal auditing, technology and general management principles. Materials are also acquired to encourage self-learning where appropriate. As of August 2015, approximately 4% of staff time was spent on training and professional development.

Financial Impact

None

Conclusion

Status of the 2015 projects included in the Internal Audit Work Plan is summarized in Appendix 1 to this report. The Work Plan is being executed as anticipated. Two of the projects that were originally planned for 2015 are recommended for postponement due to an extended staff absence in the Internal Audit Division.

Consulting services are provided on an ongoing basis to enhance controls and mitigate risks and to improve City's operations. A number of activities are also conducted as part of the initiative to continuously foster collaboration with City staff and counterparts in other municipalities; as well as to maintain an audit team with versatile skills.

Attachments

Appendix 1: 2015 Internal Audit Work Plan Status Report as of August 2015

A handwritten signature in black ink, appearing to read 'Sally P. Eng', with a large, stylized flourish extending from the end of the signature.

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

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

**2015 Internal Audit Work Plan Status Report
As of August 2015**

A. AUDITS

| Service Area | Audit | Status | Comments |
|---|--|---------------|---|
| Roads, Storm Drainage and Watercourses | Current Contracts | Completed | Report was presented at the March Audit Committee meeting. |
| | Winter Maintenance Contracts | Completed | Report to be presented at the September Audit Committee meeting. |
| | Capital Construction Contracts | Planning | Planning for this audit is currently underway. |
| | Corporate Fleet Inventory and Maintenance | To Commence | This audit is expected to commence in the Fall. |
| Arts & Culture | | | |
| | Meadowvale Theatre | To Commence | This audit is expected to commence in late Fall. |
| Parks & Forestry | | | |
| | Parks Work Order System | Completed | Report was presented at the May Audit Committee meeting. |
| Recreation | | | |
| | Brae Ben and Lakeview Golf Courses | Completed | Report was presented at the March Audit Committee meeting. |
| | SportZone – Business Operation | Planning | Planning for this audit is currently underway. |
| | CLASS – Facilities Rental | Postponed | It is proposed that this audit be postponed because of staff absence. |
| | Food & Beverage/Banquet | Postponed | It is proposed that this audit be postponed because of staff absence. |
| Business Services | | | |
| | Investment | Completed | Report was presented at the March Audit Committee Meeting for the 2014 audit. 2015 audit testing is currently underway. |
| | Payment to One Time Vendors | Completed | Report was presented at the May Audit Committee meeting. |
| | Overtime, Lieu Time (Non- Union Staff) | Completed | Report to be presented at the September Audit Committee meeting. |
| | 311 – Business Continuity, Confidentiality | Completed | Report to be presented at the September Audit Committee. |

**2015 Internal Audit Work Plan Status Report
As of August 2015**

| Service Area | Audit | Status | Comments |
|---|---|--------------|--|
| Information Technology | IT Disaster Recovery Plan/ Business Continuity Review | Completed | Report was presented at the March Audit Committee meeting. |
| | IT Security | Planning | Planning of this review is currently underway. |
| Facilities and Property Management | Current Maintenance Contracts | Draft Report | Currently in the process of drafting the audit report and formulating the recommendations. |
| | Rental and Lease Agreements | Draft Report | Currently in the process of drafting the audit report and formulating the recommendations. |
| | Capital Maintenance Contracts | To Commence | This audit is expected to commence in late Fall. |

B. OTHER PROJECTS

| PROJECT | STATUS | COMMENTS |
|-------------------------------------|---|--|
| Corporate Risk Assessment Framework | Pilots Completed | Internal Audit partnered with Corporate Performance and Innovation to develop a Risk Assessment Framework for consistent identification, assessment and mitigation of risks for strategic and business planning, project management, policy development and business activities. Pilot projects using the Framework have been completed and results were presented to the Leadership Team for determination of the next step. |
| Audit Recommendations Follow Up | Completed for May In Progress for November | Follow up of outstanding audit recommendations are done twice a year to ensure that audit recommendations have been implemented and/or the issues identified in the previous audits have been resolved. The first follow up was completed and presented at the May Audit Committee meeting. Results of the second follow up will be presented at the November Audit Committee meeting. |
| Stormwater Charges | In Progress | Internal Audit is currently involved in the review of the agreement and business processes relating to the Stormwater Program. |
| Procurement Card Review | To Commence | Internal Audit was requested to participate in a project led by Corporate Finance, with representation from various sections throughout the City, |

**2015 Internal Audit Work Plan Status Report
As of August 2015**

| PROJECT | STATUS | COMMENTS |
|--|-------------|--|
| | | to review policies, procedures and processes for the use and administration of Procurement cards. |
| Automation of Revenue Management and Bank Reconciliation processes | To Commence | Internal Audit was requested to participate in a project for the automation of bank reconciliation and the replacement of the Accounts Receivable Collection system. |
| Whistleblower Program | Ongoing | Internal Audit was involved in the setup, testing and implementation of the Whistleblower Program. There is also ongoing involvement in the review of complaints received. |
| Ongoing consultation as requested by Management. | Ongoing | <p>These are consulting services aimed at providing management with proactive advice to enhance controls and mitigate risks and to improve City operations. Some of the requests completed to date or are currently in progress include:</p> <ul style="list-style-type: none"> • Implementation of Audit recommendations e.g. relating to the Golf Course Audit and the Inspection and Follow Up Process for Compliance to By-laws Audit • Records Information Management • New and amended City By-law and Corporate Policies and Procedures • Draft contract and contract extension • Changes to or new business processes |
| Professional Development | Ongoing | <p>Professional development opportunities are provided to Audit Staff through seminars, workshops, webinars and materials acquired for the Internal Audit Library.</p> <p>Internal Audit staff had attended the Fraud Conference (ACFE); courses offered by the Project Management Support Office, Crystal training; etc. Audit staff had also participated in a one day Workshop of the Municipal Internal Auditors' Association (MIAA) in Spring and will be attending the Association's Fall Workshop to network with internal auditors from various municipalities. One of the Senior Auditors is currently serving as the Treasurer on the Executive Committee of the</p> |

**2015 Internal Audit Work Plan Status Report
As of August 2015**

Appendix 1

Page 4 of 4

| PROJECT | STATUS | COMMENTS |
|---------|--------|----------|
| | | MIAA. |

| | |
|--|---------------------------------|
| Date: 2015/09/09 To: Chair and Members of Audit Committee From: Sally P. Eng, CPA,CA,CMA, Director, Internal Audit | Originator's files: |
| | Meeting date: 2015/09/21 |

Subject

Final Audit Reports:

1. Corporate Services Department, Human Resources Division - Overtime/Lieu Time Audit (Non-Union Employees),
2. Corporate Services Department, Communications Division - 311 Citizen Contact Centre Review, and
3. Transportation and Works Department, Works Operations and Maintenance Division, Works and Technical Services Section - Winter Maintenance Contracts Audit.

Recommendation

That the report dated August 31, 2015 from the Director of Internal Audit with respect to final audit reports:

1. Corporate Services Department, Human Resources Division – Overtime/Lieu Time Audit (Non-Union Employees),
2. Corporate Services Department, Communications Division – 311 Citizen Contact Centre Review, and
3. Transportation and Works Department, Works Operations and Maintenance Division, Works and Technical Services Section – Winter Maintenance Contracts Audit

be received for information.

Background

In accordance with the Terms of Reference for the Audit Committee (By-law 0069-2015), the Committee is responsible for “reviewing reports from the Director of Internal Audit identifying audit issues and the steps to resolve them [and] reviewing the adequacy of the management responses to audit concerns, having regard to the risks and the costs involved.”

Comments

Internal Audit has completed finalization of three audits, being:

1. Corporate Services Department, Human Resources Division – Overtime/Lieu Time Audit (Non-Union Employees),
2. Corporate Services Department, Communications Division – 311 Citizen Contact Centre Review, and
3. Transportation and Works Department, Works Operations and Maintenance Division, Works and Technical Services Section – Winter Maintenance Contracts Audit.

The three audit reports are hereby submitted to the Audit Committee for consideration.

Financial Impact

Not applicable.

Conclusion

The Corporate Services Department, Human Resources Division – Overtime/Lieu Time Audit (Non-Union Employees), Corporate Services Department, Communications Division – 311 Citizen Contact Centre Review, and Transportation and Works Department, Works Operations and Maintenance Division, Works and Technical Services Section – Winter Maintenance Contracts Audit are now complete and are submitted for consideration by the Audit Committee.

Attachments

- Appendix:**
1. Corporate Services Department, Human Resources Division – Overtime/Lieu Time Audit (Non-Union Employees),
 2. Corporate Services Department, Communications Division – 311 Citizen Contact Centre Review, and
 3. Transportation and Works Department, Works Operations and Maintenance Division, Works and Technical Services Section – Winter Maintenance Contracts Audit.



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

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