

Audit Committee

Date

2015/11/16

Time

9:00 AM

Location

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

Members

Bonnie Crombie	Mayor
Jim Tovey	Councillor - Ward 1
Karen Ras	Councillor - Ward 2
Ron Starr	Councillor - Ward 6
Matt Mahoney	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 September 21, 2015 (Page 4)

5. **DEPUTATIONS** - Nil

6. **MATTERS TO BE CONSIDERED**

6.1. That the report dated October 9, 2015, from the Commissioner of Corporate Services and Chief Financial Officer re: **External Auditor Appointment**. (Page 8)

RECOMMENDATION

That KPMG LLP be appointed the City's external auditor for the term of its contract (2015-2019 fiscal year) with the City and until a successor is appointed.

Recommend Approval

6.2. That the report dated October 15, 2015, from the Commissioner of Corporate Services and Chief Financial Officer re: **Audit Engagement Letter and Audit Planning Report**. (Page 13)

RECOMMENDATION

1. That the report dated October 15, 2015, from the Commissioner of Corporate Services and Chief Financial Officer with respect to the Audit Engagement Letter covering the fiscal years 2015 through 2019 and Audit Planning Report, be received for information.
2. That the 2015 Audit Planning Report be received for information (Appendix 2).
3. That the Chair and Chief Financial Officer be directed to execute the Audit Engagement Letter covering the fiscal years 2015 through 2019 (Appendix 1).

Recommend Receipt

- 6.3. That the report dated November 2, 2015, from the Director of Internal Audit re: **Final Audit Reports: 1. Corporate Services Department, Facilities & Property Management Division - Current Maintenance Contracts Audit and 2. Corporate Services Department - Facilities & Property Management Division - Rental and Lease Agreements Audit.** (Page 44)

RECOMMENDATION

That the report dated November 2, 2015, from the Director of Internal Audit with respect to final audit reports: 1. Corporate Services Department, Facilities and Property Management Division - Current Maintenance Contracts Audit, and 2. Corporate Services Department, Facilities and Property Management Division - Rental and Lease Agreements Audit, be received for information.

Recommend Receipt

- 6.4. That the report dated November 2, 2015, from the City Manager and Chief Administrative Officer re: **Status of Outstanding Audit Recommendations as of September 30, 2015.** (Page 46)

RECOMMENDATION

That the report dated November 2, 2015, from the City Manager and Chief Administrative Officer regarding the status of outstanding audit recommendations as of September 30, 2015, be received for information.

Recommend Receipt

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

City of Mississauga Minutes



Audit Committee

Date

September 21, 2015

Time

9:00

Location

Council Chambers, 2nd Floor Civic Centre

300 City Centre Drive, Mississauga, ON L5B 3C1

Members Present

Mayor Bonnie Crombie

Councillor Jim Tovey

Councillor Karen Ras

Councillor Ron Starr

Councillor Matt Mahoney

Ward 1

Ward 2

Ward 6 (Chair)

Ward 8

Staff Present

Janice Baker, City Manager and Chief Administrative Officer

Gary Kent, Commissioner, Corporate Services and Chief Financial Officer

Jeff Jackson, Director of Finance and Treasurer

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

Find it online

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

1. **Call to Order** – 9:05 a.m.

2. **Approval of the Agenda**

That the agenda be approved as presented.

Motion: Moved by: J. Tovey

3. **Declarations of Conflict of Interest** - Nil

4. **Minutes of Previous Meeting**

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

Approved (M. Mahoney)

5. **Deputations** - Nil

6. **Matters to be Considered**

- 6.1 Report dated September 1, 2015 from the Director of Internal Audit re: 2015 Internal Audit Work Plan Status Report

Sally Eng, Director of Internal Audit provided an overview of the Internal Audit Work Plan Status Report. She requested that the CLASS Facilities Rental and Food & Beverage/Banquet Audits be postponed to 2016. Mayor Crombie supported the postponement of the two audit reports.

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.

Received (B. Crombie)

- 6.2 Report dated September 9, 2015, from the Director of Internal Audit re: **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.

Amy Truong, Internal Auditor provided an overview of the Overtime/Lieu Time Audit (Non-Union Employees) report. She further indicated that the audit resulted in eleven recommendations with the emphasis on the need for clarification of Corporate Policies and Procedures, development of guidelines, and training to ensure appropriate compensation and monitoring of exceptions. Management agreed with all recommendations; one recommendation has been completed; five will be done by October 2015; and the remaining five recommendations will be addressed by an interdisciplinary team led by Corporate Finance which will develop a comprehensive training manual and sustainment plan and provide training to all Time and Labour reporters and approvers by the end of 2016. Mayor Crombie, Councillors Ras and Starr inquired about errors, costs, flex and lieu hours. Ms. Truong indicated that temporary staff need more training in regards to the policy and procedures. Janice Baker, City Manager indicated that the City has an extensive alternative work arrangement program and there is a policy for unused lieu time and the appropriate use of flex time.

Craig Emick, Information Technology Auditor provided an overview of the 311 Citizen Contact Centre Review report. He further indicated that the audit resulted in six recommendations in addressing the issues identified relating to confidentiality, business continuity and the additional observation related to technology. Management has agreed with the recommendations one has been completed; one will be done by December 31, 2015; one is to be completed by March 31, 2016 and three anticipated for completion by December 31, 2016. Mayor Crombie inquired about what was learned by the previous flooding and ice storm crisis. Gary Kent, Commissioner of Corporate Services and Chief Financial Officer indicated that an emergency plan was needed. Councillor Tovey inquired about staff's knowledge base. Mr. Emick indicated that the audit was not based on staff knowledge, although staff do meeting with each department they service and gain knowledge from those meetings. Mr. Kent indicated that once a complaint is made, staff are able to listen to the recording to identify the error and then change the knowledge base if need be. Councillor Starr inquired about staff training. Wendy McClymont, Manager 311 Citizen Contact Centre indicated that staff are trained on a monthly basis with each business unit and it also includes privacy training. Councillor Ras spoke of the good work that staff provide to the residents. Councillor Tovey inquired

about staff's response to stormwater. Martin Powell, Commissioner of Transportation and Works indicated that he can provide the script that was given to the 311 staff and to Councillors. Janice Baker, City Manager suggested Councillors tour the 311 Citizen Contact Centre.

Al Steinbach, Senior Internal Auditor provided an overview of the Works Operations and Maintenance Division, Works and Technical Services Section - Winter Maintenance Contracts report. He further indicated that the audit resulted in four recommendations to ensure compliance to the terms of the Winter Maintenance contracts. Councillor Starr inquired about the liability of contractors leaving equipment on site. Martin Powell, Commissioner of Transportation and Works indicated that all contractors provide their insurance coverage. He further indicated that he will speak with risk management and get back to members of Council.

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.

Received (M. Mahoney)

7. Inquiries - Nil
8. Closed Session - Nil
9. Adjournment - 9:49 a.m. (K. Ras)

City of Mississauga

Corporate Report



Date: October 9, 2015 To: Chair and Members of Audit Committee From: Gary Kent, Commissioner of Corporate Services and Chief Financial Officer	Originator's files:
	Meeting date: 2015/11/16

Subject

External Auditor Appointment

Recommendation

1. That KPMG LLP be appointed the City's external auditor for the term of its contract (2015 - 2019 fiscal years) with the City and until a successor is appointed.

Report Highlights

- KPMG has been the City's external auditor since 1994.
- The City issued a competitive procurement in the summer 2015.
- Four organizations picked up the procurement proposal however only one organization responded.
- KPMG LLP was the only organization to respond.
- KPMG meets all of the criteria requested in the proposal.
- KPMG LLP proposal is very competitive. In fact their fees dropped by approximately \$16,000 over the five year period. They also offered additional pro bono consulting hours to the City.
- Finance has been very pleased with the support and services KPMG LLP provided over the years.

Background

The City's contract for audit services with KPMG LLP expired at the conclusion of our fiscal 2014 year-end audit.

KPMG has been the City's external auditor since 1994. They have successfully competed and won in 3 separate competitive proposal requests since that time. The KPMG team, led by partner Kevin Travers, provides quality professional service and demonstrates wide expertise in a number of areas which the City periodically taps into for help.

KPMG Audit History:

1994 to 1998: Competitive procurement. KPMG successful.

1999 to 2003: Competitive procurement. KPMG successful.

2004 to 2008: Competitive Procurement. KPMG successful.

2009 to 2013: KPMG extended due to tangible asset implementation.

2014: KPMG extended due to election timing.

2015 to 2019: Competitive Procurement. KPMG successful.

Comments

KPMG Proposal Information

- KPMG team for the City comprises professionals who have in-depth knowledge of PSAB accounting standards and deep experience in auditing large Ontario municipalities.
- KPMG is committed to serving the City as a priority account.
- The City's audit will be led by Kevin Travers and Ana Chan:

Kevin Travers, Lead Engagement Partner

- Kevin will be the primary contact for the City's senior management and Audit Committee.
- Kevin has more than 23 years' experience with KPMG.
- Kevin is a recognized leader in the field of Public Sector Accounting: involved and at the forefront of analyzing and shaping the new accounting standards that continue to impact our municipal clients.
- Kevin is KPMG's National Leader of our Cities Practice.
- In addition to Mississauga, Kevin leads the audits of four other large GTA municipalities: Brampton, Vaughan, Markham and York Region, as well as various local distribution companies/municipally owned utilities, including Mississauga's own Enersource Corporation.

Ana Chan, Senior Audit Manager

- Ana will support Kevin in developing the detailed audit plan, supervise the work of the audit process and will perform her reviews on-site.
- Ana has been with KPMG for nine years and specializes in serving public sector entities. In addition to serving as senior audit manager for the City of Mississauga, her clients include the Corporation of the City of Brampton, Ontario Arts Council, Ontario Arts Foundation, Ontario Heritage Trust, and University of Ontario Institute of Technology.
- KPMG has three offices in the GTA, located in downtown Toronto and North York, which function as a single unit and provide services to clients in the GTA and beyond. With over 460 audit and accounting professionals in our GTA offices, KPMG has ample expertise and depth of resources and support services available to perform the audits of the City of Mississauga in an expeditious manner, as they have demonstrated consistently from year to year.
- KPMG LLP is a Canadian limited liability partnership established under the laws of Ontario. KPMG is the Canadian member firm affiliated with KPMG International, a global network of professional firms operating in 155 countries. KPMG is one of Canada's oldest professional services firms, with roots dating back to 1840.
- KPMG's products and services are offered through four functional service lines – Audit, Tax, Advisory and KPMG Enterprise.
- KPMG will continue to deliver practical and pragmatic advice directed towards making optimal use of resources, safeguarding key assets and identifying opportunities to improve controls.
- KPMG's audit is supported by an array of software applications to enhance their effectiveness and productivity.
- A key technology KPMG utilizes in their audit of the City is eAudit, KPMG's proprietary global electronic audit tool that provides the methodology, guidance and industry knowledge needed to perform the most efficient, highest quality audit possible.

Finance Management Comments

One of the Audit Committee's primary responsibilities is to approve the selection of the City's external auditor. Although the City issued a competitive procurement for the services, the contract cannot be finalized until the Audit Committee approves the appointment recommended by Finance.

Finance staff, through Materiel Management, issued a competitive Request for Proposal (RFP) during the summer of 2015. Four organizations picked up the procurement package however only one organization chose to respond within the procurement timelines which was KPMG LLP.

Finance staff reviewed their procurement submission and pricing proposal. KPMG meets all expected performance requirements. Their pricing proposal for the five years is very competitive. In fact, their pricing proposal is slightly less than their previous five year proposal. KPMG has also offered up to 25 hours of other consulting work; 15 hours per year for “gratis” tax advisory and consulting and they will provide up to 10 hours’ time per year of other advisory personnel– for example, to have our professionals present seminars/webinars on topics of interest to the City such as HST issues or technical accounting issues.

Finance and the City have an excellent working relationship with KPMG. As we look forward into the future, the Public Sector Accounting Board (PSAB) continues to roll out new accounting and reporting requirements to enhance financial information and reporting within the public sector. Moving forward, it is reassuring that KPMG continues to be in our corner guiding the City with the new requirements and implementation.

KPMG provided valuable guidance and support during various PSAB implementations such as the implementation of PSAB back in early 2000’s, the implementation of tangible capital asset accounting and reporting in 2009, and more recently the implementation of contaminated site liability accounting scheduled for 2015. New accounting requirements can have a significant impact on the City and it is important to have an audit company well experienced and a leader in PSAB accounting and reporting requirements. KPMG LLP is that leader within the public sector.

KPMG LLP has been consulted on many occasions over the many years regarding new accounting requirements and special interest issues. Maintaining audit continuity and being able to utilize KPMG’s public sector expertise will be a benefit to the City.

A change in our external auditors at this time would result in City costs associated with orienting and educating a new audit firm about our services, programs, business processes, internal controls, account structure, as well as gaining understanding of our tangible capital asset structure and valuation methodologies, etc.

Financial Impact

KPMG has offered a five year contract valued at \$646,250, plus applicable taxes. These fees include the audit of the City, Mississauga Library Board, City’s Trust Funds and the four Business Improvement Areas.

In addition KPMG has offered 15 hours per year for “gratis” tax advisory and consulting within their proposal. In addition, KPMG will provide up to 10 hours’ time per year of other advisory personnel – for example, to have our professionals present seminars/webinars on topics of interest to the City such as HST issues or technical accounting issues.

These financial offers are very competitive and their offer represents significant value to the City.

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

Benefits:

Some of the direct benefits that the City will receive with our new five year contract and services with KPMG LLP include:

- A multi-year agreement with competitive pricing that reflects the value placed by KPMG LLP on its partnership with the City.
- A fixed fee for five years.
- KPMG has been very flexible and accommodating with their audit and other consulting services to the City over the years. KPMG has not in the past charged the City for extra work or minor consulting services (i.e. BIA audit problems, commodity tax questions, accounting and financial reporting questions, capital asset accounting, United Way, etc.)
- Over the past 15 years, the City has observed that KPMG personnel have taken the time, through in-depth discussions and on-site visits, to develop a thorough understanding of the City's business and financial operations. As a result, the City has benefited from their professional advice and services.

Conclusion

KPMG LLP's existing contract expired at the end of our 2014 audit. The City issued a competitive Request for Proposal for a new five year contract in the summer of 2015. The RFP was received by 4 organizations however only KPMG LLP responded within the bid timelines. KPMG LLP proposal is very competitive. In fact their fees dropped by approximately \$16,000 over the five year period. They also offered additional pro bono consulting hours to the City. Finance staff support the appointment of KPMG LLP for the new five year contract term (2015 to 2019).



Gary Kent, Commissioner of Corporate Services and Chief Financial Officer

Prepared by: Mark Beauparlant, Manager Corporate Financial Services

City of Mississauga

Corporate Report



Date: October 15, 2015 To: Chair and Members of Audit Committee From: Gary Kent, Commissioner of Corporate Services and Chief Financial Officer	Originator's files:
	Meeting date: 2015/11/16

Subject

Audit Engagement Letter and Audit Planning Report

Recommendation

1. That the report dated October 15, 2015 from the Commissioner of Corporate Services and Chief Financial Officer with respect to the Audit Engagement Letter covering the fiscal years 2015 through 2019 and Audit Planning Report, be received for information.
2. That the 2015 Audit Planning Report be received for information (Appendix 2).
3. That the Chair and Chief Financial Officer be directed to execute the Audit Engagement Letter covering the fiscal years 2015 through 2019 (Appendix 1).

Report Highlights

- The Engagement Letter sets out the responsibilities of the Audit Committee, management, city staff and KPMG for the new contract term.
- The Engagement Letter for audit services must be approved by Audit Committee and executed.
- The Audit Planning Report establishes the audit approach for the City's external audit.
- The Audit Planning Report is designed to inform the Audit Committee and management of the audit procedures to be performed by KPMG in discharging its audit responsibilities.

Background

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

KPMG LLP, Chartered Accountants (KPMG), recently were awarded a new five year contract (fiscal years 2015 to 2019), after a successful competitive procurement.

Finance staff are pleased to have KPMG back for a new five year contract. The City has had a long-standing business relationship with KPMG for many years. Their service, support, and commitment to the City are excellent and professional.

Comments

Engagement Letter

The engagement letter for audit services must be approved by Audit Committee and executed. The engagement letter sets out the responsibilities of the Audit Committee, management, city staff and KPMG. It also includes the objectives, scope and limitations of the external audit. Communication matters are discussed as well.

The engagement letter establishes the following:

- The primary objective of the external audit is to discharge the statutory obligation of reporting to Council and the boards, inhabitants and ratepayers of Mississauga in accordance with municipal legislation. This will involve KPMG issuing an opinion on whether the financial statements present fairly the financial position and results of operations in accordance with generally accepted accounting principles.
- The secondary objective of the external audit is to provide feedback on internal accounting practices, operating controls and other matters of material financial importance with respect to the City and its local boards. Accordingly, through the audit, KPMG would also provide recommendations as to corrective actions and offer advice and assistance with regard to implementation, if requested to do so.

During the 2014 audit, members of the KPMG Audit Team demonstrated knowledge of the City's operation, provided good advice and services to the City and met all objectives contained in the 2014 audit engagement letter.

Appendix 1 contains the Engagement Letter.

Audit Plan

The Audit Plan establishes the audit approach for the City's external audit. This report is designed to inform the Audit Committee and management of the audit procedures to be performed by KPMG in discharging its audit responsibilities.

The audit plan focuses on the following items but not limited to:

- organizational areas to be audited
- financial controls and policies
- specific areas of auditing focus
- materiality for misstatements and audit findings
- audit cycle and timetable
- audit quality and risk management
- audit approach and methodology
- current and future developments that are relevant to the City (i.e. new accounting standards)
- other relevant information regarding the audit

Appendix 2 contains the Audit Planning Report for the 2015 audit.

Financial Impact

The fees being paid to KPMG for the 2015 audit for the City, the Library Board, and the four Business Improvement Areas (BIA's) are \$129,250 before taxes. The audit fees for the four Business Improvement Areas (Streetsville, Port Credit, Clarkson, and Malton) will be billed directly to the BIA's by KPMG.

In addition to the audited consolidated financial statements, KPMG provides special purpose audits that are not included in the City's audit fees. Some of these special audits include the Next Step Program (\$4,600), and Canadian Strategic Fund Agreement Expenditures Report (\$5,100). These special purpose audits and reports are required for various Federal and Provincial Government funding initiatives.

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

Conclusion

Finance staff supports the approval and execution of the Engagement Letter for the new audit contract for the period 2015 to 2019.

The audit objectives described in the 2015 Audit Planning Report have been set and will be applied for the upcoming annual audit.

Finance staff supports the recommendations, approach, and schedule outlined in the 2015 Audit Plan Report.

Attachments

Appendix 1: Audit Engagement Letter

Appendix 2: 2015 Audit Plan

A handwritten signature in black ink that reads "G. Kent." with a period at the end.

Gary Kent, Commissioner of Corporate Services and Chief Financial Officer

Prepared by: Mark Beauparlant, Manager, Corporate Financial Services



KPMG LLP
 Yonge Corporate Centre
 4100 Yonge Street Suite 200
 Toronto, ON M2P 2H3

Telephone (416) 777-8500
 Fax (416) 777-8818
 www.kpmg.ca

Mr. Gary Kent
 Commissioner of Corporate Services
 and Chief Financial Officer
 The Corporation of the City of Mississauga
 300 City Centre Drive
 Mississauga, ON L5B 3C1

Councilor Ron Starr
 Chair, Audit Committee
 The Corporation of the City of Mississauga
 300 City Centre Drive
 Mississauga, ON L5B 3C1

November 16, 2015

Dear Sirs:

The purpose of this letter is to outline the terms of our engagement to audit the consolidated financial statements of the following entities/programs commencing for the year ending December 31, 2015:

Corporation of the City of Mississauga
 Mississauga Public Library Board
 Trust funds of the City of Mississauga
 Clarkson Business Improvement Association
 Port Credit Business Improvement Area
 Streetsville Business Improvement District Association
 Malton Business Improvement Area

collectively (the Entities).

Programs:

Canadian Strategic Fund Agreement Expenditures Report
 Next Steps to Active Living

collectively (the Programs).

This letter supersedes our previous letter to the Entity dated October 11, 2011. The terms of the engagement outlined in this letter will continue in effect from period to period, unless amended or terminated in writing. The attached Terms and Conditions form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the Engagement Letter).

FINANCIAL REPORTING FRAMEWORK FOR THE FINANCIAL STATEMENTS

The financial statements for the Entities will be prepared and presented in accordance with Canadian accounting standards for the public sector (hereinafter referred to as the "financial reporting framework").

The specified purpose financial statements for the Programs will be prepared and presented in accordance with a basis of accounting described in the notes to the financial statements (hereinafter referred to as the "financial reporting framework"). These financial statements will be prepared for the purpose of reporting the current year activities and for the use of the Province of Ontario or Government of Canada.

The financial statements will include an adequate description of the financial reporting framework.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management acknowledges and understands that they are responsible for:

- (a) the preparation [and fair presentation] of the financial statements in accordance with the financial reporting framework referred to above
- (b) ensuring that all transactions have been recorded and are reflected in the financial statements
- (c) such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud
- (d) providing us with access to all information of which management is aware that is relevant to the preparation of the financial statements such as financial records, documentation and other matters, including the names of all related parties and information regarding all relationships and transactions with related parties
- (e) providing us with additional information that we may request from management for the purpose of the audit
- (f) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain audit evidence
- (g) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that professional standards require that we disclaim an audit opinion

An audit does not relieve management or those charged with governance of their responsibilities. If management does not fulfill the responsibilities above, we cannot complete our audit.



For the Programs financial statements, management has informed us of all steps taken to determine that the applicable financial reporting framework is acceptable in the circumstances.

AUDITORS' RESPONSIBILITIES REGARDING THE AUDIT OF THE FINANCIAL STATEMENTS

Our function as auditors of the Entities is:

- to express an opinion on whether the Entities' financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting framework referred to above
- to report on the financial statements

We will conduct the audit of the Entities' financial statements in accordance with Canadian generally accepted auditing and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable "professional standards").

We will plan and perform the audit to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Entity and its environment, including the Entity's internal control. In making those risk assessments, we consider internal control relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks
- form an opinion on the Entity's financial statements based on conclusions drawn from the audit evidence obtained;
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the board of directors. The form (oral or in writing) and the timing will depend on the importance of the matter and the requirements under professional standards.

AUDITORS' DELIVERABLES

The expected form and content of our audit report for the consolidated financial statements of the City is provided in Appendix B "Expected Form of Report. However, there may be circumstances in which a report may differ from its expected form and content.

In addition, if we become aware of information that relates to the financial statements after we have issued our audit report, but which was not known to us at the date of our audit report and which is of such a nature and from such a source that we would have investigated that information had it come to our attention during the course of our audit, we will, as soon as practicable:



(1) communicate such an occurrence to those charged with governance; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our audit report. Further, management agrees that in conducting that investigation, we will have the full cooperation of the Entity's personnel. If the subsequently discovered information is found to be of such a nature that: (a) our audit report would have been affected if the information had been known as of the date of our audit report; and (b) we believe that the audit report is currently being relied upon or is likely to be relied upon by someone who would attach importance to the information, appropriate steps will be taken by KPMG and expected by the Entity to prevent further reliance on our audit report. Such steps include, but may not be limited to, appropriate disclosures by the Entity of the newly discovered facts and the impact to the financial statements.

INCOME TAX COMPLIANCE AND ADVISORY SERVICES

Tax compliance and advisory services are outside the scope of this letter. These services will be subject to the terms and conditions of a separate engagement letter.

FEES

Appendix A □ Fees for Professional Services to this letter lists our fees for professional services to be performed under this Engagement Letter.

We are available to provide a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.

We are proud to provide you with the services outlined above and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements and terms are acceptable, please sign the duplicate of this letter in the space provided and return it to us.



Yours very truly,

KPMG LLP

Kevin Travers
416-228-7004

Partner responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

Steno/Reference

Enclosure

cc: Audit Committee



The terms of the engagement set out are as agreed:

Councilor Ron Starr
Chair, Audit Committee

Date (dd/mm/yy)

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

Date (dd/mm/yy)

Appendix A □ Fees for Professional Services

The Entities and KPMG agree to a fee scheduled included in our response to your August 2015 Request for Proposal dated August 25, 2015.

In addition, the Corporation of the City of Mississauga and KPMG agree to an estimated fee for the audit services for the following programs (which were not referred to within the request for proposal document), exclusive of applicable tax:

Next Steps to Active Living	\$4,600
Canadian Strategic Fund Agreement Expenditures Report	\$5,100

INDEPENDENT AUDITORS □ REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the City of Mississauga

We have audited the accompanying consolidated financial statements of the Corporation of the City of Mississauga ("the City"), which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statement of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of City of Mississauga as at December 31, 2015 and the results of its operations and accumulated surplus, change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.



TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS

The Terms and Conditions are an integral part of the accompanying engagement letter from KPMG that identifies the engagement to which they relate (and collectively form the [Engagement Letter]). The Engagement Letter supersedes all written or oral representations on this matter.

1. SEVERABILITY.

If any of the provisions of this Engagement Letter are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and be binding on the parties to the fullest extent permitted by law.

2. GOVERNING LAW.

This Engagement Letter shall be subject to and governed by the laws of the province where KPMG's principal office performing this engagement is located (without regard to such province's rules on conflicts of law) and all disputes arising hereunder or related thereto shall be subject to the exclusive jurisdiction of the courts of such province of Canada.

3. LLP STATUS.

KPMG LLP is a registered limited liability Partnership ([LLP]) established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial legislation. KPMG is a partnership, but its partners have a degree of limited liability. A partner is not personally liable for any debts, obligations or liabilities of the LLP that arise from a negligent act or omission by another partner or by any other person under that other partner's direct supervision or control. The legislation relating to limited liability partnerships does not, however, reduce or limit the liability of the firm. The firm's insurance exceeds the mandatory professional indemnity insurance requirements established by the relevant professional bodies. Subject to the other provisions hereof, all partners of the LLP remain personally liable for their own actions and/or actions of those they directly supervise or control.

4. DOCUMENTS AND INFORMATION.

Management's cooperation in providing us with documents and related information and agreed-upon assistance on a timely basis is an important factor in being able to issue our report. KPMG shall be entitled to share all information provided by the Entity with all other member firms of KPMG International Cooperative ([KPMG International]) performing services hereunder. All work papers, files and other internal materials created or produced by KPMG during the engagement and all copyright and intellectual property rights in our work papers are the property of KPMG.

5. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS.

Personal and/or confidential information (e.g. entries into KPMG's time and billing system and into KPMG's conflicts database) collected by KPMG during the course of this engagement may be used, processed and stored outside of Canada by KPMG, KPMG International member firms performing services hereunder or third party service providers. KPMG represents to the Entity that each KPMG International member firm and third party service provider providing services hereunder has agreed or shall agree to conditions of confidentiality with respect to the Entity's information. Further, KPMG is responsible to the Entity for causing third party service providers to comply with such conditions of confidentiality, and KPMG shall be responsible to the Entity for their failure to comply and failure of each KPMG International member firm providing services hereunder to comply with its obligations of confidentiality owed to KPMG. Any services performed by third party service providers shall be performed in accordance with the terms of this Engagement Letter, but KPMG shall remain responsible to the Entity for the performance of such services and services performed by each KPMG International member firm providing services hereunder. Such personal and/or confidential information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws.

6. PERSONAL INFORMATION CONSENTS AND NOTICES.

Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at www.kpmg.ca. KPMG may be required to collect, use and disclose personal information about individuals during the course of this engagement.

The Entity represents and warrants that: (i) it will obtain any consents reasonably required to allow KPMG to collect, use and disclose personal information in the course of the engagement, and (ii) it has provided notice

of the potential processing of such personal information outside of Canada (as described in paragraph 5 above). KPMG's Privacy Officer noted in KPMG's Privacy Policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.

The Entity consents to KPMG sending to the Entity, its officers, directors and employees, as applicable, electronic messages (including emails) relating to KPMG products and services and other matters of interest to the Entity. The Entity, its officers, directors or employees may withdraw such consent by contacting KPMG's National Office located at Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, Ontario M5H 2S5, [Attention: Unsubscribe](mailto:Unsubscribe); or info@kpmg.ca.

7. OFFERS OF EMPLOYMENT.

In order to allow issues of independence to be addressed, management agrees that prior to extending an offer of employment to any KPMG partner, employee or contractor, the matter is communicated to the engagement partner or associate partner.

8. OFFERING DOCUMENTS.

If the Entity wishes to include or incorporate by reference the financial statements and our report thereon in an offering document, we will consider consenting to the use of our report and the terms thereof at that time. Nothing in this Engagement Letter shall be construed as consent and KPMG expressly does not consent to the use of our audit report(s) in offering documents. If the Entity wishes to obtain KPMG's written consent to the use of our audit report(s) in an offering document, or wishes us to provide a comfort or advice letter, we will be required to perform procedures as required by professional standards; any agreement to perform such procedures will be documented in a separate engagement letter. Management agrees to provide us with adequate notice of the preparation of such documents.

9. FEE AND OTHER ARRANGEMENTS.

KPMG's estimated fee is based on the quality of the Entity's accounting records, the agreed-upon level of preparation and assistance from the Entity's personnel, and adherence to the agreed-upon timetable. KPMG's estimated fee also assumes that the Entity's financial statements are in accordance with the applicable financial reporting framework and that there are no significant new or changed accounting policies or issues, or financial reporting, internal control over financial reporting or other reporting issues. KPMG will inform the Entity on a timely basis if these factors are not in place.

Additional time may be incurred for such matters as significant issues, significant unusual and/or complex transactions, informing management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that included in the estimated fee, the Entity and KPMG agree to revise the estimated fee. No significant additional work will proceed without management's concurrence, and, if applicable, without the concurrence of those charged with governance. Upon completion of these services KPMG will review with the Entity any fees and expenses incurred in excess of KPMG's estimate, following which KPMG will render the final billing. Routine administrative expenses such as long distance telephone calls, photocopies, fax charges, printing of statements and reports, postage and delivery and secretarial and report department assistance will be charged on the basis of a percentage of KPMG's professional costs. Other disbursements for items such as travel, accommodation and meals will be charged based on KPMG's actual disbursements.

KPMG's invoices are due and payable upon receipt. Amounts overdue are subject to interest. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing the report and, if applicable, any consent.

Fees for any other services will be billed separately from the services described in this engagement letter and may be subject to written terms and conditions supplemental to those in this letter.

Canadian Public Accountability Board (CPAB) participation fees, when applicable, are charged to the Entity based on the annual fees levied by CPAB.



To the extent that KPMG partners and employees are on the Entity's premises, the Entity will take all reasonable precautions for the safety of KPMG partners and employees at the Entity's premises.

10. LEGAL PROCESSES.

The Entity on its own behalf hereby acknowledges and agrees to cause its subsidiaries and affiliates to hereby acknowledge that KPMG may from time to time receive requests or orders from the Canadian Public Accountability Board or from professional, securities or other regulatory, judicial or governmental authorities (both in Canada and abroad) to provide them with information and copies of documents in KPMG's files including working papers and other work-product relating to the affairs of the Entity, its subsidiaries and affiliates. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of KPMG's audit of the Entity, KPMG will advise the Entity of the request or order. The Entity hereby acknowledges that KPMG will provide these documents and information without further reference to, or authority from, the Entity, its subsidiaries and affiliates.

When such an authority requests access to KPMG's working papers and other work-product relating to the Entity's affairs, KPMG will, on a reasonable efforts basis, refuse access to any document over which the Entity has expressly informed KPMG at the time of delivery that the Entity asserts privilege, except where disclosure of documents is required by law. The Entity must mark any document over which it asserts privilege as "privileged". If and only if the authority requires such access to privileged documents pursuant to the laws of a jurisdiction in which express consent is required for such disclosure, then the Entity hereby provides its consent. Where privileged Entity documents are disclosed, KPMG is directed to advise the authority that the Entity is permitting disclosure only to the extent required by law and for the limited purpose of the authority's exercise of statutory authority. KPMG is directed to advise the authority that the Entity does not intend to waive privilege for any other purpose and that the Entity expects its documents to be held by the authority as privileged and confidential material (held securely, limited distribution, etc.). For greater certainty, the Entity and KPMG hereby agree that this acknowledgement (and, if required, consent) does not negate or constitute a waiver of privilege for any purpose and the Entity expressly relies upon the privilege protections afforded under statute and otherwise under law. The Entity agrees to reimburse KPMG, upon request, at standard billing rates for KPMG's professional time and expenses, including reasonable legal fees, incurred in dealing with the matters described above.

11. KPMG INTERNATIONAL MEMBER FIRMS.

The Entity agrees that any claims that may arise out of this engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International Cooperative ("KPMG International") member firms participating in this engagement or such third party service providers referred to in Section 5 above.

12. CONNECTING TO THE ENTITY'S IT NETWORK.

KPMG personnel are authorized to connect their computers to the Entity's IT Network, subject to any restrictions communicated to KPMG from time to time. Connection to the Entity's IT Network or the Internet via the Network, while at the Entity's premises, will be for the express purpose of conducting normal business activities, primarily relating to facilitating the completion of work referred to in this letter.

13. DELIVERABLES OR COMMUNICATIONS.

KPMG may issue other deliverables or communications as part of the services described in this Engagement Letter. Such deliverables or communications may not to be included in, summarized in, quoted from or otherwise used or referred to, in whole or in part, in any documents or public oral statement.

KPMG expressly does not consent to the use of any communication, report, statement or opinion prepared by us on the interim financial statements and such communication, report, statement or opinion may not be included in, summarized in, quoted from or otherwise used in any document or public oral statement.

14. ALTERNATIVE DISPUTE RESOLUTION.

The parties hereby agree that they will first attempt to settle any dispute arising out of or relating to this Engagement Letter or the services provided hereunder through good faith negotiations in the spirit of mutual cooperation between representatives of each of the parties with authority

to resolve the dispute. In the event that the parties are unable to settle or resolve their dispute through negotiation within 30 days of the dispute first arising or such longer period as the parties may mutually agree upon, such dispute shall, as promptly as is reasonably practicable, be subject to mediation pursuant to the National Mediation Rules of the ADR Institute of Canada, Inc. All disputes remaining unsettled for more than 60 days following the parties first meeting with a mediator or such longer period as the parties may mutually agree upon shall, as promptly as is reasonably practicable, be subject to arbitration pursuant to the National Arbitration Rules of the ADR Institute of Canada, Inc. (the "Arbitration Rules"). Such arbitration shall be final, conclusive and binding upon the parties, and the parties shall have no right of appeal or judicial review of the decision. The parties hereby waive any such right of appeal which may otherwise be provided for in any provincial arbitration statute made applicable under the Arbitration Rules. The place of mediation and arbitration shall be the city in Canada in which the principal KPMG office that performed the engagement is located. The language of the mediation and arbitration shall be English.



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AUDIT

The Corporation of the City of Mississauga (the "City")

**Audit Planning Report
For the year ending December 31, 2015**

KPMG LLP

Licensed Public Accountants

October 2015

The contacts at KPMG in connection with this report are:

Kevin Travers, CPA, CA
Lead Engagement Partner

Tel: 416-228-7004
ktravers@kpmg.ca

Ana Chan, CPA, CA
Engagement Audit Senior
Manager

Tel: 416-224-4655
anachan@kpmg.ca

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At KPMG, we are **passionate** about earning your **trust**. We take deep **personal accountability**, individually and as a team, to deliver **exceptional service and value** in all our dealings with you.

At the end of the day, we measure our success from the **only perspective that matters – yours.**

Executive summary

Audit and business risk

Our audit is risk-focused. In planning our audit we have taken into account key areas of focus for financial reporting. We will discuss these risks with you during the upcoming meeting.

See page 4-5 for detailed information.

KPMG team

The KPMG team will be led by Kevin Travers, CPA, CA. Subject matter experts will be involved to ensure our approach is appropriate and robust.

Audit Materiality

Materiality has been determined based on prior year actual expenses. We have reviewed the scope of work for the City. Materiality will be set at lower thresholds where necessary to meet local subsidiary financial statement audit requirements. We have determined group materiality to be \$15,620,000 for the year ending December 31, 2015 (2014 - \$15,000,000).

See page 8 for detailed information.

Independence

We are independent and have extensive quality control and conflict checking processes in place. We provide complete transparency on all services and follow Audit Committee approved protocols.

Effective communication

We are committed to transparent and thorough reporting of issues to the City Manager, Commissioner of Corporate Services, Director, Finance and City Treasurer, senior management and the Audit Committee.

Audit approach

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

Group auditors are required to be involved in the component auditors' risk assessment in order to identify significant risks to the group financial statements. If such significant risks are identified, the group auditor is required to evaluate the appropriateness of the audit procedures to be performed to respond to the identified risk.

The components over which we plan to perform audit procedures are as follows:

Components	Why	Our audit approach
Enersource Corporation ("Enersource")	Enersource is individually financially significant to the City's consolidated financial statements	The component auditors, KPMG LLP from the Greater Toronto office, will be providing statutory audit opinion on the fiscal year 2015 financial statements of Enersource.
Non- significant components:		
City of Mississauga Library Board, Port Credit BIA, Streetsville BIA, Malton BIA, Clarkson BIA	Non-significant component; however, these components are required to obtain audited local statutory financial statements under the Municipality Act.	The group audit engagement team, KPMG LLP from the Greater Toronto office, will be providing statutory audit opinions on the fiscal year 2015 financial statements of City of Mississauga Library Board, Port Credit BIA, Streetsville BIA, Malton BIA, and Clarkson BIA.

Audit approach (continued)

Other areas of focus include the following:

Area of Focus	Our Audit Approach
Implementation of the Contaminated site liability accounting standards	<ul style="list-style-type: none"> Evaluate the controls and policies in place at the City surrounding the recognition, measurement and completeness of contaminated sites and review and testing of management's key assumptions and estimates Review management's analysis to establish the opening liability balance as at January 1, 2015 and year end balances as at December 31, 2015 Make inquiries of key stakeholders to validate the completeness assertion of contaminated sites Evaluate and rely on experts engaged by the City to formulate the contaminated site liability
Tangible capital assets	<ul style="list-style-type: none"> Select a sample of additions for examination (including contributed tangible capital assets) Ensure that costs reflective of capital investments are appropriately recorded as tangible capital assets Review a sample of any dispositions during the year Recalculate amortization expense for the year Review process for ensuring that amortization commences when project is substantially complete Review disclosures
Tax receivable and taxation revenue	<ul style="list-style-type: none"> Substantive approach recalculating tax revenue using approved tax rates and assessments
Employee future benefits	<ul style="list-style-type: none"> Reliance on actuaries engaged by the City; update our understanding of the activities over the quality of information used, the assumptions made, the qualifications, competence and objectivity of the preparer of the estimate, and the historical accuracy of the estimates Communicate with actuaries and test data provided to the actuaries Perform trend analysis Review assumptions used Review disclosures
Deferred revenue – obligatory reserve funds	<ul style="list-style-type: none"> Update our understanding of the activities over the initiation, authorization, processing, recording and reporting Review the City-prepared calculation of deferred revenue balance with the responsible individuals
Debenture debt issuance (if applicable)	<ul style="list-style-type: none"> Review Council and Region of Peel by-laws on the issuance of the debenture debt Review note disclosures
Expenses – salaries and benefits	<ul style="list-style-type: none"> Perform control testing over payroll cycle Vouch a sample of employees' salary and benefit expense to payroll information

Accounts payable, accrued liabilities and other expenses	<ul style="list-style-type: none"> • Search for unrecorded liabilities • Examine significant accrued liabilities for existence, accuracy and completeness • Perform substantive test of details on selected non-payroll expenditures
Consolidation	<ul style="list-style-type: none"> • Review operations of consolidated entities, including Enersource, Corporation, City of Mississauga Library Board, etc. • Review the accuracy and completeness of the eliminating entries as prepared by management • Review financial statement note disclosures related to Enersource Corporation including the City's share of the net income, dividends, etc.
Trust funds audit	<ul style="list-style-type: none"> • Direct confirmation on cash and investment year-end balances • Vouching of selected revenue and expense transactions to source documents.

Materiality

Professional standards require us to re-assess materiality at the completion of our audit based on period-end results or new information in order to confirm whether the amount determined for planning purposes remains appropriate.

Our assessment of misstatements, if any, in amounts or disclosures at the completion of our audit will include the consideration of both quantitative and qualitative factors.

The first step is the determination of the amounts used for planning purposes as follows.

The determination of materiality requires judgment and is based on a combination of quantitative and qualitative assessments including the nature of account balances and financial statement disclosures.

Materiality determination	Comments	Amount
Metrics	<ul style="list-style-type: none"> Relevant metrics included assets, and revenue. 	Not applicable
Benchmark	<ul style="list-style-type: none"> Based on fiscal year 2014 actual revenue. This benchmark is consistent with the prior year. 	\$781,159 million
% of Benchmark	<ul style="list-style-type: none"> The corresponding percentage for the 2014 audit was 2%. 	2%
Materiality	<ul style="list-style-type: none"> Determined in order to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. The corresponding amount for the 2014 audit was \$15,000,000 	\$15,620,000

Enersource

Component Materiality (for significant component only)	\$13,277,000			
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Value for fees

The Value of our Audit Services

We recognize that the primary objective of our engagement is the completion of an audit of the consolidated financial statements in accordance with professional standards. We also believe that our role as external auditor of the City and the access to information and people in conjunction with our audit procedures, places us in a position to provide other forms of value. We know that you expect this of us.

We want to ensure we understand your expectations. To facilitate a discussion (either in the upcoming meeting or in separate discussions), we have outlined some of the attributes of our team and our processes that we believe enhance the value of our audit service. We recognize that certain of these items are necessary components of a rigorous audit. We welcome your feedback.

- Extensive industry experience on our audit team – the senior members of our team have extensive experience in audits of local governments. This experience ensures that we are well positioned to identify and discussion observations and insights that are important to you; Kevin Travers is not only the lead audit partner on 4 other GTA municipal audits in addition to the City of Mississauga, but he is the leader of KPMG's National Municipal Sector Service Group.
- Areas of improvement - during the course of our audit, we may become aware of opportunities for improvements in financial or operational processes or controls. We will discuss any such opportunities with management and provide our recommendations for performance improvement. We will also include a synopsis of these issues and our recommendations in our discussions with you at the completion of the audit.

Audit cycle and timetable

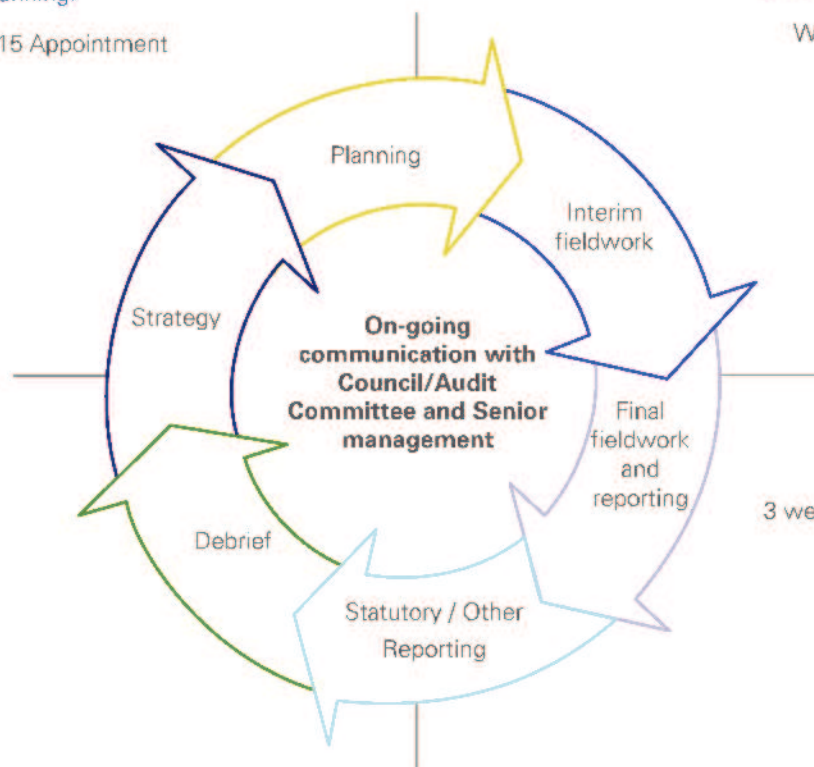
Our key activities during the year are designed to achieve our one principal objective:

To provide a robust audit, efficiently delivered by a high quality team focused on key issues.

Our timeline is in line with prior year, with significant risks discussed before field work to avoid any last minute surprises.

Planning meeting with management:
After November 16, 2015 Appointment
Commence year end planning:
After November 16, 2015 Appointment

Audit plan discussion:
After November 16, 2015 Appointment
Conduct interim audit field work:
Week of November 23, 2015



Final fieldwork:
3 weeks from February 16, 2016 to March 4, 2016 and
Week of March 21, 2016

Audit findings discussion:
March 31, 2016 (target date)
Issuance of Audit Report:
April 10, 2016 (target date)
Audit Committee meeting:
May 9, 2016

Appendices

Appendix 1: Audit Quality and Risk Management

Appendix 2: KPMG's audit approach and methodology

Appendix 3: Required communications

Appendix 4: Current developments

Appendix 5: Thought leadership

Appendix 1: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit <http://www.kpmg.com/Ca/en/services/Audit/Pages/Audit-Quality-Resources.aspx> for more information.

- Other controls include:
 - Before the firm issues its audit report, Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
 - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.



- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.
- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
 - Assignment based on skills and experience;
 - Rotation of partners;
 - Performance evaluation;
 - Development and training; and
 - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 2: KPMG's audit approach and methodology

Technology-enabled audit work flow (eAudit)

Engagement Setup

- Tailor the eAudit work flow to your circumstances
- Access global knowledge specific to your industry
- Team selection and timetable

Completion

- Tailor the eAudit work flow to your circumstances
- Update risk assessment
- Perform completion procedures and overall evaluation of results and financial statements
- Form and issue audit opinion on financial statements
- Obtain written representation from management
- Required Audit Committee communications
- Debrief audit process



Risk Assessment

- Tailor the eAudit work flow to your circumstances
- Understand your business and financial processes
- Identify significant risks
- Plan involvement of KPMG specialists and others including external experts, internal auditors, service organizations auditors and component auditors
- Determine audit approach
- Evaluate design and implementation of internal controls

Testing

- Tailor the eAudit work flow to your circumstances
- Test operating effectiveness of internal controls (as considered necessary)
- Perform substantive tests

Appendix 3: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of our audit. These include:

- **Engagement letter** – the objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter as attached.
- **Audit planning report** – as attached
- **Required inquiries** – professional standards require that during the planning of our audit we obtain your views on risk of fraud and other matters. We make similar inquiries to management as part of our planning process; responses to these will assist us in planning our overall audit strategy and audit approach accordingly.
 - Are you aware of, or have you identified any instances of, actual, suspected, possible, or alleged non-compliance of laws and regulations or fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
 - What are your views about fraud risks in the entity?
 - How do you exercise effective oversight of management's processes for identifying and responding to the risk of fraud in the entity and internal controls that management has established to mitigate these fraud risks?
 - How is the entity complying with the legal and regulatory framework?
- **Management representation letter** – we will obtain from management at the completion of the annual audit. In accordance with professional standards, copies of the representation letter will be provided to the Audit Committee.
- **Audit findings report** – we will provide this report at the completion of our audit to the Audit Committee.

Appendix 4: Current developments

The following is a summary of the current developments that are relevant to the City.

Standard	Summary and implications
Financial Instruments	<p>A new standard has been issued, establishing a standard on accounting for and reporting all types of financial instruments including derivatives. This standard is effective for fiscal periods beginning on or after April 1, 2016 (the City's fiscal 2017 year-end).</p> <p>Implications: This standard will require the City to identify any contracts that have embedded derivatives and recognize these on the consolidated statement of financial position at fair value. Portfolio investments in equity instruments are required to be recorded at fair value. All other non-derivative financial instruments will be measured at cost or amortized cost. A government can elect to record other financial assets or liabilities on a fair value basis, if they manage and evaluate the asset and liability groups on that basis. Changes in fair value will be reported in a new financial statement – statement of remeasurement gains and losses. This standard sets out a number of disclosures in the financial statements designed to give the user an understanding of the significance of financial instruments to the City. These disclosures include classes of financial instruments and qualitative and quantitative risk disclosures describing the nature and extent of risk by type. The risks to be considered include credit, currency, interest rate, liquidity, and market risk.</p>
Foreign Currency Translation	<p>A revised standard has been issued establishing standards on accounting for and reporting transactions that are denominated in a foreign currency.</p> <p>The standard is effective for fiscal periods beginning on or after April 1, 2016 (the City's fiscal 2017 year-end). Earlier adoption is permitted. An entity early adopting this standard must also adopt the new financial instruments standard.</p> <p>Implications: Exchange gains and losses arising prior to settlement are recognized in a new statement of remeasurement gains and losses.</p>
Financial statement presentation Portfolio investments	<p>These standards will be effective when the City implements the Financial instruments and Foreign Currency Translations sections.</p>

Appendix 5: Thought Leadership

KPMG's Public Sector practice proudly provided numerous programs, webinars, publications and communications to Public Sector entities, including Government Organizations, Not-for-Profits and Charities during the past year. Below is a quick reference list for your convenience.

KPMG's Public Sector Practice - Year in Review

Webinars

- [Indirect Tax Issues & Public Sector Organizations](#)

This webinar discusses how indirect taxes in Canada continue to evolve, bringing additional compliance issues and increasing the risks of over or under paying taxes. It looks at a number of major GST/HST and PST changes and their impact on Public Sector organizations (e.g. Not-for-Profit organizations, Charities, Municipalities, Universities, Colleges, Hospitals, Schools and Associations). Also covered in this webinar are savings opportunities as well as risks in view of the Canada Revenue Agency's (CRA) focus on Public Sector organizations for purposes of conducting GST/HST audits.

Publications and Communications

- [Integrating Human Services in an Age of Fiscal Restraint \(A Shifting Gears Report\)](#)

This report evaluates the ongoing initiative in Ontario's Peel Region – and offers a valuable roadmap to other Public Sector organizations undertaking large-scale service reform in this age of fiscal restraint.

- [Fiscal Sustainability & the Future of Public Services \(A Shifting Gears Report\)](#)

This progress report examines how well the Public Sector in Canada and across the OECD are doing in returning to fiscally sustainable positions. It points out that while Canadian governments are in better shape than many of their peers, complacency must be avoided; and Governments must think carefully about incentives, governance, accountability, transparency, and measurement grounded in evidence. These are five lenses through which Public Sector organizations can assess potential reform initiatives.



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The Corporation of One or More Member Firms Reporting Period for the year ending December 31, 2015 | 17

kpmg.ca

KPMG LLP, an Audit, Tax and Advisory firm (kpmg.ca) and a Canadian limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International Cooperative ("KPMG International"). KPMG member firms around the world have 162,000 professionals, in 155 countries.

The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss entity. Each KPMG firm is a legally distinct and separate entity, and describes itself as such.

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City of Mississauga

Corporate Report



Date: November 2, 2015 To: Chair and Members of Audit Committee From: Sally P. Eng, CPA, CA, CMA, Director, Internal Audit	Originator's files:
	Meeting date: 2015/11/16

Subject

Final Audit Reports:

1. Corporate Services Department, Facilities & Property Management Division - Current Maintenance Contracts Audit, and
2. Corporate Services Department - Facilities & Property Management Division - Rental and Lease Agreements Audit

Recommendation

That the report dated November 2, 2015 from the Director of Internal Audit with respect to final audit reports:

1. Corporate Services Department, Facilities and Property Management Division – Current Maintenance Contracts Audit, and
2. Corporate Services Department, Facilities and Property Management Division – Rental and Lease Agreements 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 two audits, being:

1. Corporate Services Department, Facilities and Property Management Division – Current Maintenance Contracts Audit, and
2. Corporate Services Department, Facilities and Property Management Division – Rental and Lease Agreements Audit.

The two audit reports are hereby submitted to the Audit committee for consideration.

Financial Impact

Not applicable.

Conclusion

The Corporate Services Department, Facilities and Property Management Division – Current Maintenance Contracts Audit, and Corporate Services Department, Facilities and Property Management Division – Rental and Lease Agreements Audit are now complete and are submitted for consideration by the Audit Committee.

Attachments

- Appendix:
1. Corporate Services Department, Facilities and Property Management Division – Current Maintenance Contracts Audit, and
 2. Corporate Services Department, Facilities and Property Management Division – Rental and Lease Agreements Audit.



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

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

City of Mississauga Corporate Report



Date: November 2, 2015 To: Chair and Members of Audit Committee From: Janice Baker, FCPA, FCA, City Manager and Chief Administrative Officer	Originator's files:
	Meeting date: 2015/11/16

Subject

Status of Outstanding Audit Recommendations as of September 30, 2015

Recommendation

1. That the report dated November 2, 2015 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of September 30, 2015 be received for information.

Background

The Terms of Reference for the Audit Committee (By-law 0069-2015) 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 September 30, 2015.

Comments

A summary of recommendations which were outstanding as of March 31, 2015 (the effective date of the previous status report to the Audit Committee) and new recommendations which were scheduled for completion from April 1, 2015 to September 30, 2015 is attached as Appendix 1.

Sixteen (16) of the forty (40) recommendations which were previously outstanding as at March 31, 2015 have since been completed and implementation of these recommendations has been verified by Internal Audit. Detailed comments and status for the twenty-four (24) recommendations that are still outstanding are attached in Appendix 2. Of the twenty-four (24) recommendations, fourteen (14) require enhancement of computer systems and review of system access. The other ten (10) recommendations relate to review, update and further improvement of business processes. Implementation of these recommendations took longer than expected because of pending implementation of new computer systems and upgrade to existing systems, as well as additional time required to complete more comprehensive reviews in related areas. Majority of these outstanding recommendations are expected to be completed by the end of 2015 or in early

2016.

Fifty-nine (59) new recommendations that were due between April 1, 2015 and September 30, 2015 were added to the list. Twenty-six (26) have been completed and implementation of these recommendations has been verified by Internal Audit. The remaining thirty-three (33) recommendations are in various stages of implementation.

Financial Impact

None

Conclusion

In summary, ninety-nine (99) recommendations were scheduled for implementation prior to September 30, 2015. Sixteen (16) of the recommendations that were outstanding from the previous status report of March 31, 2015 were completed and an additional twenty-six (26) with due dates between April 1, 2015 and September 30, 2015 were done. Work continues with implementation of the fifty-seven (57) recommendations that were outstanding as at September 30, 2015.

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

Attachments

Appendix 1: Status of Outstanding Audit Recommendations as at September 30, 2015

Appendix 2: Status of Audit Recommendations Outstanding as of March 31, 2015 and Still in Progress as of September 30, 2015.



Janice Baker, FCPA, FCA, City Manager and Chief Administrative Officer

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

STATUS OF OUTSTANDING AUDIT RECOMMENDATIONS AS AT SEPTEMBER 30, 2015

Page 1 of 2

(1) Audit	(2) Date Issued (MM/YY)	(3) Outstanding March 31, 2015 *	(4) New **	(5) Implemented/ Resolved	(6) In Progress September 30, 2015
Mobile Licensing Revenue	02/11	2		2	
Compliance & Licensing Revenue	09/11	1			1
Medium Value Acquisition	02/13	1			1
Paid Parking	09/13	2		1	1
Building Enforcement Inspection Review	12/13	2			2
Marina Operations	02/14	3	1	1	3
Accounts Receivable Collections	04/14	9			9
2013 Investment Audit	04/14	1		1	
Notices of Contravention Process Audit	08/14	4		3	1
Mississauga Transit Union Payroll Audit	08/14	7	7	2	12
Animal Services e3 Review	12/14		11	4	7
T & W Current Maintenance Contracts	02/15		10		10
Golf Courses	02/15	8	11	17	2
Business Continuity and Disaster Recovery Review	02/15		7		7
One Time Vendor	03/15		4	4	
Parks Work Records	04/15		4	3	1
Overtime/Lieu Time Audit (Non-Union Employees)	08/15		4	4	
TOTAL		40	59	42	57

STATUS OF OUTSTANDING AUDIT RECOMMENDATIONS
AS AT SEPTEMBER 30, 2015

* This column includes recommendations which were originally scheduled for implementation on or prior to March 31, 2015.

** This column includes recommendations which were originally scheduled for completion between April 1, 2015 and September 30, 2015 (effective date of the current report to the Audit Committee).

**STATUS OF AUDIT RECOMMENDATIONS
OUTSTANDING AS OF MARCH 31, 2015 AND
STILL IN PROGRESS AS OF SEPTEMBER 30, 2015**

Audit	No. of Recommendations	Comments/Status
Enhancement of Computer System and Review of System Access		
2013 Medium Value Acquisition	1	An automation project for Materiel Management is underway and is expected to be completed by the end of 2015. Acquisition processes would be reviewed and documented as part of that project.
2013 Paid Parking	1	Staff are able to obtain the financial data but further detail is required to assist in the reconciliation of credit card payments. The vendor has been requested to address this issue and it is expected to be done by March 31, 2016.
2013 Building Enforcement Inspection Review	2	Information Technology is in the process of implementing a Mobile Device Management System for the BYOD program to ensure adequate controls are built in to protect Corporate data. This is expected to be completed by October 31, 2015.
2014 Accounts Receivable Collections	9	A project is currently underway to replace the Accounts Receivable Collection System with one of the SAP modules. This is expected to be done by February 2016.
2014 Mississauga Transit Union Payroll Audit	1	A significant upgrade in HASTUS was completed in November 2014. The first review of the list of users and their access will take place in November 2015.
Review and Update of Business Processes		
2011 Compliance and Business Licensing Revenue	1	The Compliance and Business Licensing Section has recently completed a Lean review and a business case for the Infor Case Module was presented to senior management in Transportation & Works in September 2015. Implementation of the results from the Lean Review is expected to be completed within a year of approval.
2014 Notices of Contravention Process Audit	1	See comments relating to the 2011 Compliance and Business Licensing Revenue Audit above.

**STATUS OF AUDIT RECOMMENDATIONS
OUTSTANDING AS OF MARCH 31, 2015 AND
STILL IN PROGRESS AS OF SEPTEMBER 30, 2015**

Audit	No. of Recommendations	Comments/Status
2014 Marina Operations	2	<p>Exceptions to the cash handling procedures at the Marina have been reviewed. Authorization from Corporate Finance is pending.</p> <p>Discussion relating to the agreement between the City and the Ministry of Fisheries is underway.</p>
2014 Mississauga Transit Payroll Audit	4	The Human Resources Division is in the process of completing a Transit Operator Recruitment Review which is required prior to implementing the recommendations.
2015 Golf Courses	2	<p>Agreements with GTA Golf and Under Par are complete. A Corporate Report relating to the agreement with Golf Now is expected to be presented in October 2015.</p> <p>Criteria for allowing staff and volunteers to play golf have been set, documented and put into practice. Systems are in place to track and monitor these rounds. Staff continue to work with Finance and Legal to resolve any tax related issues.</p>
TOTAL	24	