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## **Audit Committee**

### **Date**

2016/11/14

### **Time**

9:00 AM

### **Location**

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

### **Members**

Mayor Bonnie Crombie	
Councillor Jim Tovey	Ward 1
Councillor Karen Ras	Ward 2
Councillor Ron Starr	Ward 6
Councillor Matt Mahoney	Ward 8

### **Contact**

Carmela Radice, Legislative Coordinator, Legislative Services  
905-615-3200 ext. 5426  
[carmela.radice@mississauga.ca](mailto:carmela.radice@mississauga.ca)

### **Find it Online**

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

1. **CALL TO ORDER**

2. **APPROVAL OF AGENDA**

3. **DECLARATION OF CONFLICT OF INTEREST**

4. **MINUTES OF PREVIOUS MEETING**

4.1. September 19, 2016

5. **DEPUTATIONS**

5.1. 2016 External Audit Planning Report

Kevin Travers, Partner KPMG will provide an overview of the 2016 External Audit Planning Report

Corporate Report 7.1

6. **PUBLIC QUESTION PERIOD - 15 MINUTE LIMIT**

Audit Committee may grant permission to a person who is present at Audit Committee and wishes to ask a question to the Committee on a matter on the Agenda. Persons addressing Audit Committee will ask their question: the time limit per person is a maximum of 5 minutes, as public question period time limit is 15 minutes.

7. **MATTERS TO BE CONSIDERED**

7.1. Report dated October 14, 2016, from the Commissioner of Corporate Services and Chief Financial Officer re: **2016 External Audit Planning Report.**

Recommendation

That the report dated October 14, 2016, from the Commissioner of Corporate Services and Chief Financial Officer with respect to the 2016 Audit Planning Report (Appendix 1), be received for information.

Receive for information

- 7.2. Report dated November 7, 2016, from the Director of Internal Audit re:  
**1. Transportation and Works Department, Enforcement Division - Administrative Penalty System Audit and 2. Community Services Department, Culture Division - Meadowvale Theatre Audit.**

Recommendation

That the report dated November 7, 2016, from the Director of Internal Audit with respect to final audit reports 1. Transportation and Works Department, Enforcement Division - Administrative Penalty System Audit and 2. Community Services Department, Culture Division - Meadowvale Theatre Audit, be received for information.

Receive for information

- 7.3. Report dated November 3, 2016, from the City Manager and Chief Administrative Officer re: **Status of Outstanding Audit Recommendations as of September 30, 2016.**

Recommendation

That the report dated November 3, 2016, from the City Manager and Chief Administrative Officer regarding the status of outstanding audit recommendations as of September 30, 2016, be received for information.

Receive for information

8. **ENQUIRIES**
9. **CLOSED SESSION** - Nil
10. **ADJOURNMENT**

# City of Mississauga Minutes



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## Audit Committee

### Date

September 19, 2016

### Time

9:00 a.m.

### Location

Council Chamber, 2<sup>nd</sup> Floor, Civic Centre, 300 City Centre Drive, Mississauga, ON L5B3C1

### Members Present

Mayor Bonnie Crombie

Councillor Jim Tovey                      Ward 1

Councillor Karen Ras                      Ward 2

Councillor Ron Starr                      Ward 6 (Chair)

Councillor Matt Mahoney                      Ward 8

### Members Absent

### Staff Present

Janice Baker, City Manager and Chief Administrative Officer

Gary Kent, Commissioner of Corporate Services and Chief Financial Officer

Shari Litchterman, Acting Commissioner of Community Services

Jeff Jackson, Director of Finance and Treasurer

Mark Beuparlant, Manager of Corporate Financial Services

Sally Eng, Director, Internal Audit

Carmela Radice, Legislative Coordinator, Office of the City Clerk

### Find it online

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

1. **CALL TO ORDER** – 9:04 a.m.2. **APPROVAL OF AGENDA**

That the agenda be approved as presented.

Motion: Moved by: (M. Mahoney)

3. **DECLARATION OF CONFLICT OF INTEREST** - Nil4. **MINUTES OF PREVIOUS MEETING**

## 4.1. That the Audit Committee minutes of May 9, 2016 be approved as presented.

Approved (K. Ras)

5. **DEPUTATIONS** - Nil6. **PUBLIC QUESTION PERIOD - 15 MINUTE LIMIT** - Nil

Audit Committee may grant permission to a person who is present at Audit Committee and wishes to ask a question to the Committee on a matter on the Agenda. Persons addressing Audit Committee will ask their question: the time limit per person is a maximum of 5 minutes, as public question period time limit is 15 minutes.

7. **MATTERS TO BE CONSIDERED**7.1. Report dated September 1, 2016, from the Director of Internal Audit re: **2016 Internal Audit Work Plan Status Report.**

Sally Eng, Director of Internal Audit spoke about the Internal Audit Work Plan Status Report for 2016. She further indicated that the Bring Your Own Device (BYOD) audit planned for 2016 will be postponed to 2017.

**Recommendation**

1. That the report dated September 1, 2016, from the Director, Internal Audit, with respect to the status of the 2016 Internal Audit Work Plan be received for information.

2. That the Bring Your Own Device (BYOD) Audit originally planned for 2016 be postponed to 2017.

Received (J. Tovey)

- 7.2. Report dated September 12, 2016, from the Director of Internal Audit re: **Final Audit Reports: 1. Corporate Services Department, Legislative Services Division, Provincial Court Administration - Provincial Offences Act (POA) Revenue and Cash Handling Audit; 2. Community Services Department, Recreation Division - Mississauga Spectator Arena Complex Management Agreement Audit.**

Thomas Kelly, Senior Internal Auditor provided a summary of Corporate Services Department, Legislative Services Division, Provincial Court Administration - Provincial Offences Act (POA) Revenue and Cash Handling Audit. He further indicated the audit resulted in 14 recommendations; six recommendations deal with the safeguarding of assets and information; four enhance Operational Control and Financial Reporting and four address concerns with Compliance with the clarification of corporate requirements. Management agreed with all of the recommendations of which four have been implemented, six will be done by September 2016 and two by the end of the year, the remaining two recommendations with respect to completing a policy for writing off POA accounts and developing formal procedures are expected to be completed by March and June 2017. Members of the Committee inquired about the process of revenues and the ICON computer system. Jeff Jackson, Director of Finance and Connie Mesih, Director of Revenue and Material Management spoke to the revenue processes regarding the Provincial Offences fines and indicated that legislation has been amended and overdue fines can be collected by other means. Crystal Greer, Director of Legislative Services and City Clerk indicated that Valerie Carty, Manager of Court Administration is on a steering committee to upgrade and/or change the ICON system and there have been two attempts to upgrade and/or change the system has failed. Janice Baker, City Manager and Chief Administrative Officer indicated that the fines that are collected from the courthouse are one-time revenue. She further indicated that the incentive in working with other municipalities in collecting fines or overdue fines is an important aspect as once collected the City retains the money.

Al Steinbach, Senior Internal Auditor provided a summary of Community Services Department, Recreation Division - Mississauga Spectator Arena Complex Management Agreement Audit. He further indicated that the audit resulted in nine recommendations; seven recommendations will be done by September 30, 2016; one will be done by December 31, 2016 and the remaining recommendation relating to the documentation of the Food and Beverage business process will be completed by August 31, 2017; six recommendations address issues with respect to compliance with and clarification of Corporate requirements; two deal with operational control and financial reporting and

one is related to safeguarding of assets and information. Members of the Committee inquired about access to bank accounts, agreements and insurance. Mr. Steinbach indicated that there was access to the bank accounts and there should be a greater control for who can access the bank accounts. He further indicated that the agreements are sent through the events programmer coordinator and double checked. Janice Baker, City Manager and Chief Administrative Officer indicated that all insurance claims are sent through risk management and legal will investigate the issue. Shari Lichterman, Director of Recreation indicated that SMG carried its own liability insurance and name themselves and the City.

### Recommendation

That the report dated September 12, 2016 from the Director of Internal Audit with respect to final audit reports:

1. Corporate Services Department, Legislative Services Division, Provincial Court Administration - Provincial Offences Act (POA) Revenue and Cash Handling Audit, and,
2. Community Services Department, Recreation Division - Mississauga Spectator Arena Complex Management Agreement Audit, be received for information.

### Received (M. Mahoney)

8. **ENQUIRIES** - Nil
9. **CLOSED SESSION** - Nil
10. **ADJOURNMENT** - 9:41 a.m. (Mayor Crombie)

# City of Mississauga

## Corporate Report



Date: 2016/10/14

To: Chair and Members of Audit Committee

From: Gary Kent, Commissioner of Corporate Services and  
Chief Financial Officer

Originator's files:

Meeting date:  
2016/11/14

## Subject

**2016 External Audit Planning Report**

## Recommendation

That the report dated October 14, 2016 from the Commissioner of Corporate Services and Chief Financial Officer with respect to the 2016 Audit Planning Report (Appendix 1), be received for information.

## Report Highlights

- The Engagement Letter for the contract period 2015 to 2019 was executed last year on November 16, 2015 and does not need to be renewed for each year of the contract.
- Engagement Letter sets out the responsibilities of the Audit Committee, management, city staff and KPMG for the new contract term.
- The Audit Planning Report establishes the audit approach for the City's 2016 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), is currently serving the City in the second year of the contract for the fiscal years 2015 to 2019.



Audit Committee	2016/10/14	2
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KPMG was awarded the new contract in 2015 after a successful competitive procurement. The City continues to have a long-standing business relationship with KPMG. Their service, support, and commitment to the City are excellent and professional.

### Engagement Letter

The Engagement Letter for the contract period 2015 to 2019 was executed last year on November 16, 2015 and does not need to be renewed for each year of the contract. 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.

### 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 1 contains the Audit Planning Report for the 2016 audit.

## Financial Impact

The fees being paid to KPMG for the 2016 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 recommendations, approach, and schedule outlined in the 2016 Audit Planning Report.

The audit objectives described in the 2016 Audit Planning Report have been set and will be applied for the upcoming annual audit.

## Attachments

Appendix 1: 2016 Audit Planning Report



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Gary Kent, Commissioner of Corporate Services and Chief Financial Officer

Prepared by: Mark Beuparlant, BA, CPA, CGA, Manager, Financial and Treasury Services



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

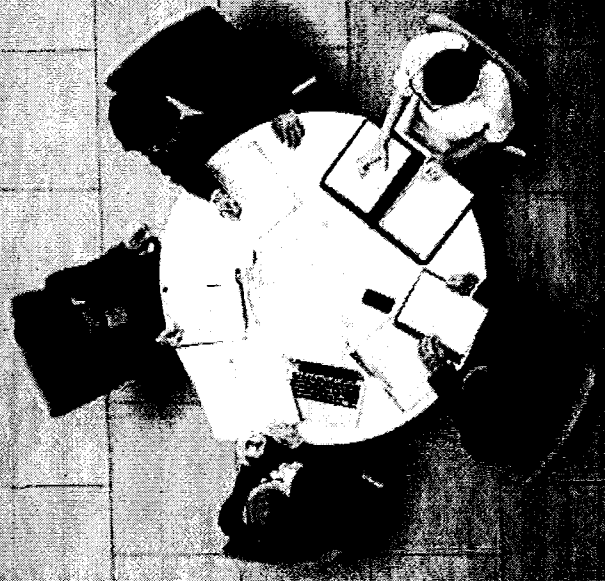
Audit planning report  
For the year ending December 31, 2016

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

September 28, 2016

[kpmg.ca/audit](http://kpmg.ca/audit)



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The contacts at KPMG in connection with this report are:

Kevin Travers

Lead Audit Engagement Partner

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

Ana Chan

Audit Senior Manager

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

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 pages 4 to 7 and Appendix 2.

## KPMG team

The KPMG team will be led by Kevin Travers. He will be supported by Ana Chan. Subject matter experts will be involved to ensure our approach is appropriate and robust.

See page 9.

## Effective communication

We are committed to transparent and thorough reporting of issues to senior management and the Audit Committee.

See page 15, Appendix 3.

## Audit Materiality

Materiality has been determined based on prior year actual revenues. 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 \$19,170,000 for the year ending December 31, 2016 (2015 - \$15,620,000).

See page 8.

## 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.

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

# Audit approach

Professional standards presume the risk of fraudulent revenue recognition and that the risk of management override of controls exists in all organizations.

The risk of fraudulent recognition can be rebutted, but the risk of management override of control cannot, since management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit approach <sup>1</sup>		
Professional requirements	Why	
Fraud risk from management override of controls	This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.	<ul style="list-style-type: none"><li>As the risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk.</li><li>These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions.</li></ul>
Fraud risk from revenue recognition	This is a presumed fraud risk. Audit standards require us to assume there are generally pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition. This can be penetrated through revenue cut-off or manual journal entries and other adjustments.	<ul style="list-style-type: none"><li>Our audit approach will consist of evaluating the design and implementation of selected relevant controls. It will also consist of performing substantive procedures to address the relevant assertions associated with the significant risk.</li><li>As part of our audit approach to address the inherent risk of error in revenue recognition, KPMG substantively tests revenues (both recognized and amounts held as deferred at year end) and recalculates management's calculation of deferred revenue – obligatory reserve funds through auditing management's methodology.</li></ul>

<sup>1</sup> These procedures are not comprehensive. Additional procedures may be conducted throughout the course of the audit.

# Audit approach

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

Components		Why	Our audit approach <sup>1</sup>
<b>Enersource Corporation ("Enersource")</b>		Enersource is individually financially significant to the City's consolidated financial statements	The component auditors, KPMG LLP from the Toronto North office, will be providing statutory audit opinion on the fiscal year 2016 financial statements of Enersource. The announced merger of Enersource with other local utilities forming a new entity, currently referred to as "MergeCo" may close during or at the end of fiscal 2016. The timing and details of the transaction are still to be determined.
Non-significant components: <b>City of Mississauga Library Board, Port Credit BIA, Streetsville BIA Malton BIA, Clarkson BIA</b>		Non-significant components; 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 Toronto North office, will be providing statutory audit opinions on these respective fiscal year 2016 financial statements.

Areas of focus		Our audit approach <sup>1</sup>
Debtenture debt issuance		<ul style="list-style-type: none"> <li>Review Council and Regional Municipality of Peel by-laws on the issuance of the debtenture debt</li> <li>Review note disclosures</li> </ul>
Tangible capital assets		<ul style="list-style-type: none"> <li>Select a sample of additions for examination (including contributed tangible capital assets)</li> <li>Ensure that costs reflective of capital investments are appropriately recorded as tangible capital assets</li> <li>Review a sample of any dispositions during the year</li> <li>Recalculate amortization expense for the year</li> <li>Review process for ensuring that amortization commences when project is substantially complete</li> <li>Review disclosures</li> <li>Substantive approach recalculating tax revenue using approved tax rates and assessments</li> </ul>
Tax receivable and taxation revenue		
Employee future benefits		<ul style="list-style-type: none"> <li>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</li> <li>Communicate with actuaries and test data provided to the actuaries</li> <li>Perform trend analysis</li> <li>Review assumptions used</li> <li>Review disclosures</li> <li>Update our understanding of the activities over the initiation, authorization, processing, recording and reporting</li> <li>Review the City-prepared calculation of deferred revenue balance with the responsible individuals</li> <li>Perform control testing over payroll cycle</li> <li>Vouch a sample of employees' salary and benefit expense to payroll information</li> </ul>
Deferred revenue – obligatory reserve funds		
Expenses – salaries and benefits		



Areas of focus		Our audit approach <sup>1</sup>
Accounts payable, accrued liabilities and other expenses		<ul style="list-style-type: none"> <li>• Search for unrecorded liabilities</li> <li>• Examine significant accrued liabilities for existence, accuracy and completeness</li> <li>• Perform substantive test of details on selected non-payroll expenditures</li> </ul>
Consolidation		<ul style="list-style-type: none"> <li>• Review operations of consolidated entities, including Enersource Corporation, City of Mississauga Library Board, and the BIAs, etc.</li> <li>• Review the accuracy and completeness of the eliminating entries as prepared by management</li> <li>• Review financial statement note disclosures related to Enersource Corporation including the City's share of the net income, dividends, etc.</li> </ul>
Contingencies		<ul style="list-style-type: none"> <li>• Review of Council Meeting minutes</li> <li>• Direct communication with internal legal counsel (and external as necessary) to ensure that all significant contingent liabilities are appropriately disclosed and/or recorded</li> <li>• Significant findings review with management</li> </ul>
Contaminated Sites liability		<ul style="list-style-type: none"> <li>• Update our understanding on 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</li> <li>• Make inquiries of key stakeholders to validate the completeness assertion of contaminated sites.</li> </ul>
Trust funds audit		<ul style="list-style-type: none"> <li>• Direct confirmation on cash and investment year-end balances</li> <li>• Vouching of selected revenue and expense transactions to source documents.</li> </ul>

# 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 professional 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	Relevant metrics for public sector organizations include total revenue or expenses, and net assets.	Not applicable
Benchmark	Based on total revenue, using prior year actuals as an estimate. This benchmark is consistent with the prior year.	\$958,846 million
% of Benchmark	Materiality is determined as a percentage to the benchmark above. The corresponding percentage for the 2015 audit was 2%.	2%
Materiality	Determined 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 2015 audit was \$15,620 million.	\$19,170 million
Significant Component: Enersource Corporation	Materiality for the audit of Enersource Corporation The corresponding amount for the 2015 audit was \$13,277 million	\$15,336 million

# Team contacts

Team member			Discussion of role
	<b>Kevin Travers</b> Lead Audit Engagement Partner ktravers@kpmg.ca (416) 228-7004	<ul style="list-style-type: none"><li>– Kevin will lead our audit and be responsible for the quality and timeliness of everything we do.</li><li>– He will frequently be on site with the team and will always be available and accessible to you.</li></ul>	
	<b>Ana Chan</b> Audit Senior Manager anachan@kpmg.ca (416) 224-4655	<ul style="list-style-type: none"><li>– Ana will work very closely with Kevin on all aspects of our audit for the City.</li><li>– She will be on site and directly oversees and manage our audit field team and work closely with your management team.</li></ul>	

# 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 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, place 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 discuss observations and insights that are important to you; Kevin Travers is not only the lead audit partner on 3 other GTA municipal audits in addition to the City, but he is the leader of KPMG's National Cities Practice.
- Current development update sessions – annually, we organize and deliver a tailored information session on current developments in the not-for-profit and public sectors as well as on topics such as strategy, lean processes and transformational change. Sessions like these will assist the City, in proactively addressing financial reporting and regulatory changes;

- Involvement of KPMG specialists – Our audit team is supported by specialists in taxation for public sector and not-for-profit organizations, income, indirect and other taxes, information risk management, and others. We expect each of our specialists to continue to provide high value-add insights and observations resulting from their audit support processes;
- Ongoing communication – We welcome your phone calls and inquiries requesting incidental advice or information. We understand the importance of clarifying accounting and technical matters in advance of the audit process in order to ensure a smooth and efficient annual audit, all the while allowing us to stay updated on the activities of the City. We will also pick up the phone and bring our ideas to you on a proactive basis.

# Audit cycle and timetable

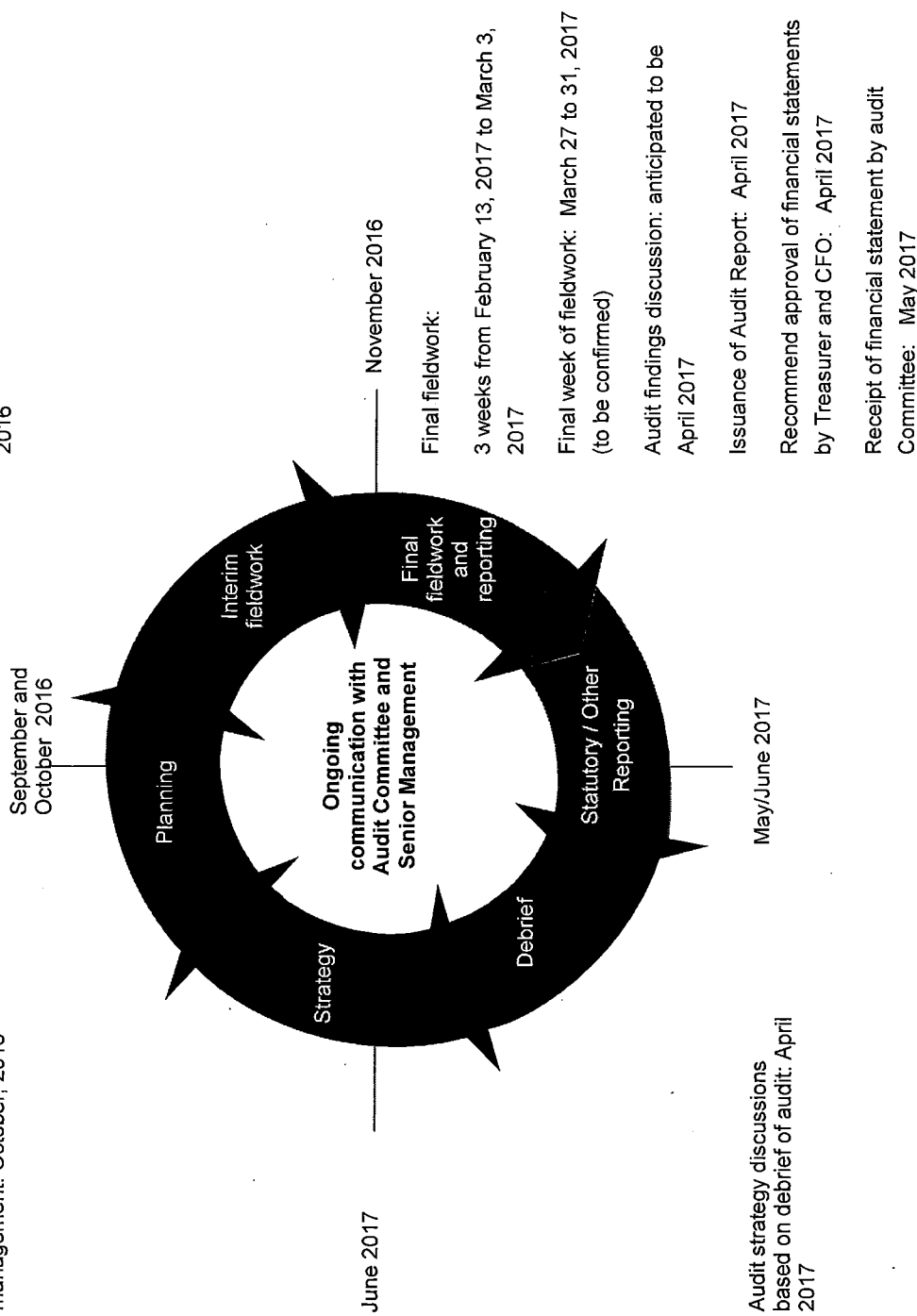
Our key activities during the year are designed to achieve our one principal objective:

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

Our timeline, as previously communicated in our proposal document, is designed to avoid any last minute surprises.

Commence year end planning:  
September 2016

Planning meeting with  
management: October, 2016



# Appendices

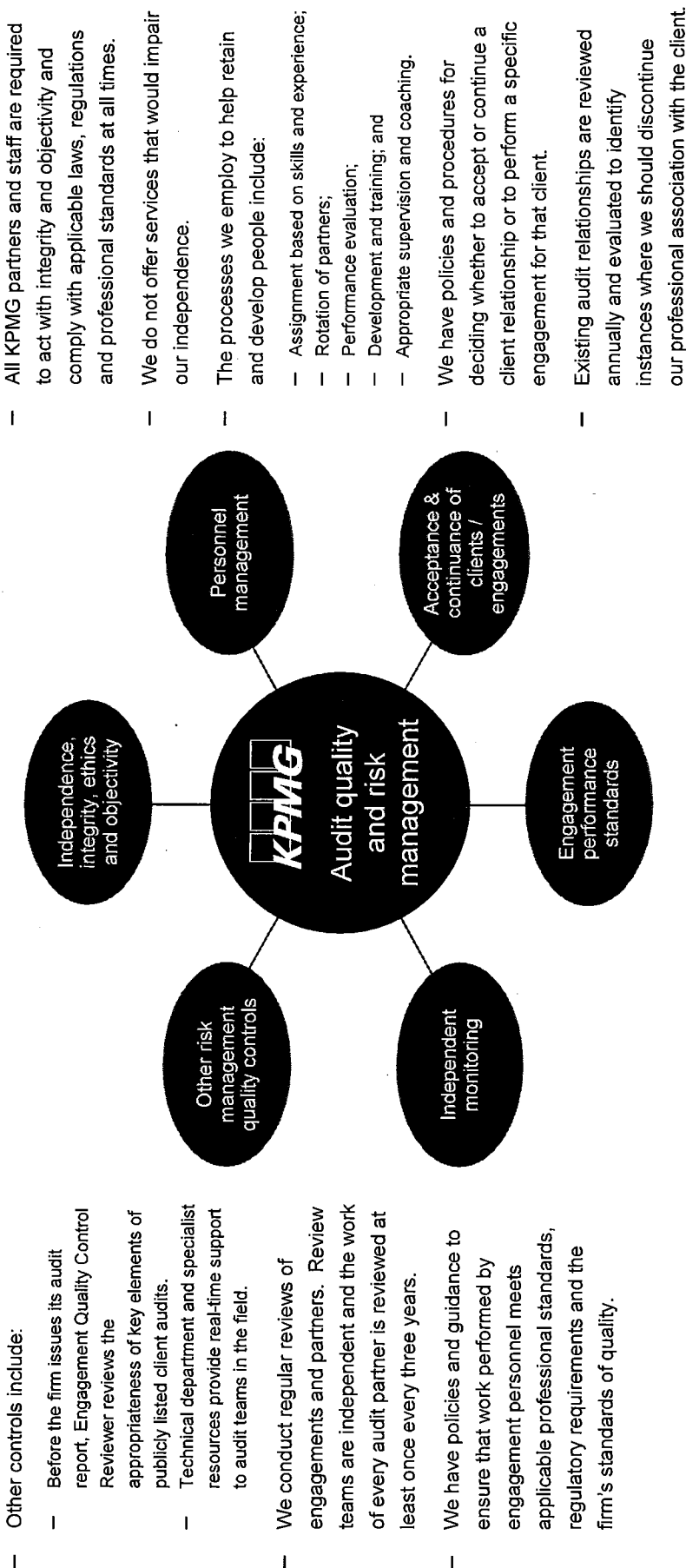
Appendix 1: Audit quality and risk management
Appendix 2: KPMG's audit approach and methodology
Appendix 3: Required communications
Appendix 4: Data & analytics in audit
Appendix 5: Lean in Audit™
Appendix 6: Current developments

# 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/Can/services/Audit/Quality-Resources.aspx> for more information including access to our audit quality report, Audit quality: Our hands-on process.



# Appendix 2: KPMG's audit approach and methodology

## Technology-enabled audit workflow (eAudit)

### Engagement Setup

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

### Completion

- Tailor the eAudit workflow 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 workflow to your circumstances
- Understand your business and financial processes
- Identify significant risks
- Plan the use of KPMG specialists and others including auditor's external experts, management experts, internal auditors, service organizations auditors and component auditors
- Determine audit approach
- Evaluate design and implementation of internal controls (as required or considered necessary)

### Testing

- Tailor the eAudit workflow to your circumstances
- Perform tests of operating effectiveness of internal controls (as required or 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 dated November 16, 2015, available from management.
- **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
- **Audit planning report** – as attached
- **Management representation letter** – we will obtain from management certain representations 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** – at the completion of our audit, we will provide a report to the Audit Committee

- What are your views about fraud risks in the entity?
- How do those charged with governance exercise effective oversight of management's processes for identifying and responding to the risk of fraud in the entity and internal controls management has established to mitigate these fraud risks?
- Are you aware of or have you identified any instances of actual, suspected, or alleged 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?
- Is the entity in compliance with laws and regulations?
- Has the entity entered into any significant unusual transactions?

# Appendix 4: Data & analytics in audit

## Turning data into value

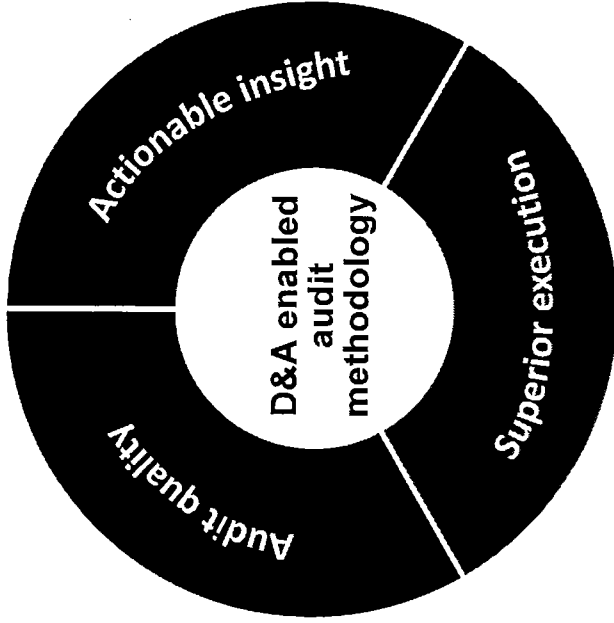
KPMG continues to make significant investments in our Data & Analytics (D&A) capabilities to help enhance audit quality and provide actionable insight to our clients by unlocking the rich information that businesses hold.

When D&A is applied to the audit, it enables us to test complete data populations and understand the business reasons behind outliers and anomalies.

Advancements in D&A tools allow us to analyze data at more granular levels, focusing on higher risk areas of the audit and developing insights you can then leverage to improve compliance, potentially uncover fraud, manage risk and more.

## KPMG is enhancing the audit

The combination of our proven industry experience, technical know-how and external data allows us to focus our audit on the key business risks, while providing relevant insights of value to you.



### For the audit

#### Audit quality

- Automated testing of selected population
- Focuses manual audit effort on key exceptions and identified risk areas

### For your business

#### Actionable insight

- Helping you see your business from a different perspective
- How effectively is your organization using your systems?

# Appendix 5: Lean in Audit™

## An innovative approach leading to enhanced value and quality

Our new innovative audit approach, Lean in Audit, further improves audit value and productivity to help deliver real insight to you. Lean in Audit is process-oriented, directly engaging organizational stakeholders and employing hands-on tools, such as walkthroughs and flowcharts of actual financial processes.

By embedding Lean techniques into our core audit delivery process, our teams are able to enhance their understanding of the business processes and control environment within your organization – allowing us to provide actionable quality and productivity improvement observations.

Any insights gathered through the course of the audit will be available to both engagement teams and yourselves. For example, we may identify control gaps and potential process improvement areas, while companies have the opportunity to apply such insights to streamline processes, inform business decisions, improve compliance, lower costs, increase productivity, strengthen customer service and satisfaction and drive overall performance.

## How it works

Lean in Audit employs three key Lean techniques:

### 1. End-to-end process mapping

- This is a workshop-based approach involving those who actually deliver the process, resulting in a shared, detailed understanding of the process and of client-identified areas of opportunity

### 2. Visual management

- Providing transparent, real-time reporting ensures a shared understanding of audit priorities, progress and any risks or issues that should be managed, resulting in a more productive, project-led approach that supports client and KPMG efficiencies.

### 3. Quality and value-mindset

- New capabilities allow audit teams to deliver deeper insights and focus on quality and value.

# Appendix 6: Current developments

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

Topic	Summary
PS Introduction	<p>This standard provides the standards to be followed by government partnerships. Government business partnerships (with all public sector partners) are to follow the standards applicable to publicly accountable entities in Part I of the <i>CPA Canada Handbook Accounting</i>. Non-business government partnerships with only government partners can choose either PSA Standards or the standards applicable to publicly accountable entities in Part I of the <i>CPA Canada Handbook Accounting</i>. Government partnerships that have one or more private sector partners should use the standards determined by the partners. This section also requires government organizations that meet the new definition of government components to apply the PSA Standards.</p> <p>This standard is effective for fiscal periods beginning on or after January 1, 2017 (the City's December 31, 2017 year end).</p>
PS 3210 Assets	<p>This standard provides a definition of assets and further expands that definition as it relates to control.</p> <p>Assets are defined as follows:</p> <ul style="list-style-type: none"> <li>• They embody future economic benefits that involve a capacity, singly or in combination with other assets, to provide goods and services, to provide future cash inflows, or to reduce cash outflows.</li> <li>• The public sector entity can control the economic resource and access to the future economic benefits.</li> <li>• The transaction or event giving rise to the public sector entity's control has already occurred.</li> </ul> <p>The standard also includes some disclosure requirements related to economic resources that are not recorded as assets to provide the user with better information about the types of resources available to the public sector entity.</p> <p>This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year end).</p>
PS 3320 Contingent Assets	<p>This standard defines contingent assets. They have two basis characteristics:</p> <ul style="list-style-type: none"> <li>• An existing condition or situation that is unresolved at the financial statement date.</li> <li>• An expected future event that will resolve the uncertainty as to whether an asset exists.</li> </ul> <p>The standard also has specific disclosure requirements for contingent assets when the occurrence of the confirming event is likely.</p> <p>This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year end).</p>

PS 3380 Contractual Rights	<p>This standard defines contractual rights to future assets and revenue.</p> <p>Information about a public sector entity's contractual rights should be disclosed in notes or schedules to the financial statements and should include descriptions about their nature and extent and the timing. The standard also indicates that the exercise of professional judgment would be required when determining contractual rights that would be disclosed. Factors to consider include, but are not limited to:</p> <ul style="list-style-type: none"> <li>(a) contractual rights to revenue that are abnormal in relation to the financial position or usual business operations; and</li> <li>(b) contractual rights that will govern the level of certain type of revenue for a considerable period into the future.</li> </ul> <p>This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year end.)</p>
PS 2200 Related Party Disclosures	<p>This standard relates to related party disclosures and defines related parties. Related parties could be either an entity or an individual. Related parties exist when one party has the ability to control or has shared control over another party. Individuals that are key management personnel or close family members may also be related parties.</p> <p>Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. Material financial impact would be based on an assessment of the terms and conditions underlying the transaction, the financial materiality of the transaction, the relevance of the information and the need for the information to enable the users to understand the financial statements and make comparisons.</p> <p>This standard also specifies the information required to be disclosed including the type of transactions, amounts classified by financial statement category, the basis of measurement, and the amounts of any outstanding items, any contractual obligations and any contingent liabilities. The standard also requires disclosure of related party transactions that have occurred where no amounts has been recognized.</p> <p>This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year end).</p>
PS 3430 Restructuring Transactions	<p>A restructuring transaction in the public sector differs from an acquisition as they generally include either no or nominal payment. It also differs from a government transfer as the recipient would be required to assume the related program or operating responsibility.</p> <p>The standard requires that assets and liabilities are to be measured at their carrying amount. It also prescribes financial statement presentation and disclosure requirements.</p> <p>This standard is effective for fiscal periods beginning on or after April 1, 2018 (the City's December 31, 2019 year end).</p>
PS 3420 Inter-entity Transactions	<p>This standard relates to the measurement of related party transactions and includes a decision tree to support the standard.</p> <p>Transactions are recorded a carrying amounts with the exception of the following:</p> <ul style="list-style-type: none"> <li>• In the normal course of business – use exchange amount</li> <li>• Fair value consideration – use exchange amount</li> <li>• No or nominal amount – provider to use carrying amount; recipient choice of either carrying amount or value fair.</li> </ul>

	<ul style="list-style-type: none"> <li>• Cost allocation – use exchange amount</li> </ul> <p>This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year end).</p>
PS 3450 Financial Instruments	<p>A standard has been issued, establishing a standard on accounting for and reporting all types of financial instruments including derivatives. The effective date of this standard has recently been deferred and it is now effective for fiscal periods beginning on or after April 1, 2019 (the City's December 31, 2019 year end).</p> <p>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. 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>
Revised Standard PS 2601 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 effective date of this standard has been deferred and is effective for fiscal periods beginning on or after April 1, 2019 (The City's December 31, 2020 year-end). Earlier adoption is permitted. An entity early adopting this standard must also adopt the new financial instruments standard.</p> <p>This standard will require exchange gains and losses arising prior to settlement are recognized in a new statement of remeasurement gains and losses.</p>

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# City of Mississauga Corporate Report



Date: 2016/11/07

To: Chair and Members of Audit Committee

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

Originator's files:

Meeting date:  
2016/11/14

## Subject

### Final Audit Reports:

1. **Transportation and Works Department, Enforcement Division – Administrative Penalty System Audit; and,**
2. **Community Services Department, Culture Division – Meadowvale Theatre Audit**

## Recommendation

That the report dated November 7, 2016 from the Director of Internal Audit with respect to final audit reports:

1. Transportation and Works Department, Enforcement Division – Administrative Penalty System Audit, and,
2. Community Services Department, Culture Division – Meadowvale Theatre 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. Transportation and Works Department, Enforcement Division – Administrative Penalty System Audit, and,
2. Community Services Department, Culture Division – Meadowvale Theatre Audit.

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



## Financial Impact

Not applicable.

## Conclusion

The Transportation and Works Department, Enforcement Division – Administrative Penalty System Audit, and Community Services Department, Culture Division – Meadowvale Theatre Audit are now complete and are submitted for consideration by the Audit Committee.

## Attachments

Appendix 1: Transportation and Works Department, Enforcement Division - Administrative Penalty System Audit

Appendix 2: Community Services Department, Culture Division - Meadowvale Theatre Audit



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

Prepared by: Karen Hobbs, Administrative Coordinator

City of Mississauga  
**Corporate Report**



Date: 2016/11/03

To: Chair and Members of Audit Committee

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

Originator's files:

Meeting date:  
 2016/11/14

## Subject

**Status of Outstanding Audit Recommendations as of September 30, 2016**

## Recommendation

That the report dated November 3, 2016 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of September 30, 2016 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, 2016.

## Comments

A summary of recommendations which were outstanding as of March 31, 2016 (the effective date of the previous status report to the Audit Committee) and new recommendations which were scheduled for completion from April 1, 2016 to September 30, 2016 is attached as Appendix 1.

Fifteen (15) of the forty-one (41) recommendations which were outstanding as at March 31, 2016 have since been completed and implementation of these recommendations has been verified by Internal Audit. Detailed comments and status for the twenty-six (26) recommendations that are still outstanding are attached in Appendix 2. Of the twenty-six (26) recommendations, seven (7) require enhancement of computer systems which is underway; two (2) entail documentation of business process; and two (2) relate to business continuity and recovery. Majority of the remaining outstanding recommendations, i.e. fifteen (15), involve review and updating of business processes which are in progress. In two areas, Lean projects are well underway and are expected to be completed by year end.

Audit Committee	2016/11/03	2
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Originators files:

Forty-two (42) new recommendations that were due between April 1, 2016 and September 30, 2016 were added to the list. Twenty-six (26) have been completed and implementation of these recommendations has been verified by Internal Audit. The remaining sixteen (16) recommendations are in various stages of implementation. In addition, ten (10) recommendations that are due after September 30, 2016 have been completed ahead of their scheduled due dates.

## Financial Impact

None.

## Conclusion

In summary, eighty-three (83) recommendations were scheduled for implementation prior to September 30, 2016 (effective date of this report). Fifteen (15) of the recommendations that were outstanding from the previous status report of March 31, 2016 and twenty-six (26) with due dates between April 1, 2016 and September 30, 2016 were done. An additional ten (10) recommendations with due dates after September 30, 2016 were completed ahead of schedule. Work continues with implementation of the forty-two (42) recommendations that were outstanding as at September 30, 2016 and will be closely monitored to ensure timely implementation.

## Attachments

- Appendix 1: Status of Outstanding Audit Recommendations as at September 30, 2016
- Appendix 2: Status of Audit Recommendations Outstanding as at March 31, 2016 and Still in Progress as of September 30, 2016




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

Prepared by: Barbara Webster, Senior Internal Auditor

**STATUS OF OUTSTANDING AUDIT RECOMMENDATIONS  
AS AT SEPTEMBER 30, 2016**

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(1) Audit	(2) Date Issued (MM/YY)	(3) Outstanding March 31, 2016 *	(4) New **	(5) Implemented/ Resolved	(6) In Progress September 30, 2016	(7) Implemented Ahead of Schedule ***
Compliance & Licensing Revenue	09/11	1			1	
Medium Value Acquisition	02/13	1			1	
Building Enforcement Inspection Review	12/13	1		1		
Accounts Receivable Collections	04/14	9			9	
Notice of Contravention Process	08/14	4			4	
Mississauga Transit Union Payroll	08/14	6		2	4	
Animal Services E3 Review	12/14	2		1	1	
T & W Current Maintenance Contracts	02/15	2			2	
Business Continuity and Disaster Recovery Plan Review	02/15	5		3	2	
Golf Courses	02/15	1		1		
Overtime/Lieu Time (Non-Union)	08/15	1			1	
3-1-1 Citizen Contact Centre	09/15					2
F&PM Current Maintenance Contracts	10/15	5	2	6	1	
Rental and Lease Agreements	10/15	2	2	1	3	
SportZone – Business Operation	01/16	1		1		
Capital Maintenance Contracts	02/16		1	1		1
Urban Forestry Capital Contracts	04/16		11	7	4	
Corporate Fleet	04/16		13	9	4	7
POA Revenue and Cash Handling	08/16		6	4	2	
Mississauga Spectator Arena Complex Management Agreement	09/16		7	4	3	
<b>TOTAL</b>		<b>41</b>	<b>42</b>	<b>41</b>	<b>42</b>	<b>10</b>

**STATUS OF OUTSTANDING AUDIT RECOMMENDATIONS  
AS AT SEPTEMBER 30, 2016**

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\* This column includes recommendations which were originally scheduled for implementation on or prior to March 31, 2016 (effective date of the previous status report to Audit Committee).

\*\* This column includes recommendations which were originally scheduled for implementation between April 1, 2016 and September 30, 2016 (effective date of the current status report to Audit Committee).

\*\*\* This column indicates recommendations which were originally scheduled to be implemented after September 30, 2016 but have already been completed.

STATUS OF AUDIT RECOMMENDATIONS  
OUTSTANDING AS OF MARCH 31, 2016 AND  
STILL IN PROGRESS AS OF SEPTEMBER 30, 2016

Audit	No. of Recommendations	Comments/Status
<b>Enhancement of Computer System</b>		
2014 Notices of Contravention	4	Implementation of the Infor Case Module software to create, manage and monitor By-law cases from beginning to end is scheduled for December 2016. All other complaint investigations will move to Infor in June of 2017 at which time all NOC's issued will be tracked.
2014 Animal Services e3 Review	1	Inventory process of animal licenses (tags) requires system development to the Chameleon system. Information Technology has confirmed that this will be developed for December 2017.
2015 T & W Current Maintenance Contracts	1	A new workflow regarding recoverable expenses will be implemented into the Infor solution which is currently moving into production. Target completion date is January 2017.
2015 Rental and Lease Agreements	1	Work began on a robust database but Information Technology had to reassign the resource. A budget request for a new development resource has been initiated for the 2017 budget.
<b>Business Process Documentation</b>		
2013 Medium Value Acquisition	1	Procedures are currently being documented in conjunction with the development of the Procurement Centre, an automated purchasing workflow system. Procedures will be posted on the Materiel Management website which is scheduled for completion by March 2017.
2015 T & W Current Maintenance Contracts	1	Independent random sample checks on T&W maintenance contract payments are being done and the process will be documented in the Procedures Manual by the end of January 2017.
<b>Business Continuity and Recovery</b>		
2015 Business Continuity and Disaster Recovery Plan Review	2	Emergency Management has recently hired a Business Continuity Specialist who is tasked with assisting in the development of the City Business Continuity Plans. The Information Technology Disaster Recovery Plan will be updated and modified to meet service requirements including recovery time objectives and recovery point objectives which are part of the Business Impact Assessment. These recommendations are expected to be completed by the end of 2017.
<b>Review and Update of Business Processes</b>		
2011 Compliance and Business Licensing Revenue	1	The implementation of the LEAN processes is on target to be completed by December 2016.

STATUS OF AUDIT RECOMMENDATIONS  
OUTSTANDING AS OF MARCH 31, 2016 AND  
STILL IN PROGRESS AS OF SEPTEMBER 30, 2016

Page 2 of 2

Audit	No. of Recommendations	Comments/Status
2014 Accounts Receivable – Collections	9	The ARC system is being replaced by SAP with an implementation date of December 31, 2016 which will address the issues identified in the audit. In addition, a LEAN project was initiated on December 15, 2015 with a target completion date of December 31, 2016.
2014 Mississauga Transit Payroll	4	Three of the four recommendations relate to both the Transit Operations and Transit Maintenance Units. These have been completed by Transit Operations but implementation by Transit Maintenance was delayed due to staff turnover. Furthermore, procedural manual for Transit Maintenance and automation of allowance calculation will be addressed once the upgrade to HASTUS is completed.
2015 Overtime/Lieu Time (Non-Union)	1	The Overtime Audit Recommendations Project is well underway. The Policy and Overtime Form are being updated. Learning and Organizational Development team is helping to design a training strategy and job aids. These are expected to be done by end of 2016.
Total	26	