
Audit Committee

Date

2017/12/04

Time

9:00 AM

Location

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

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

Allyson D'Ovidio, Legislative Coordinator, Legislative Services

905-615-3200 ext. 5411

allyson.dovidio@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. Minutes of September 18, 2017

5. **DEPUTATIONS**

6. PUBLIC QUESTION PERIOD - 15 Minute Limit (5 Minutes per Speaker)
Pursuant to Section 42 of the Council Procedure By-law 0139-2013, as amended:

Audit Committee may grant permission to a member of the public to ask a question of Audit Committee, with the following provisions:

1. The question must pertain to a specific item on the current agenda and the speaker will state which item the question is related to.
2. A person asking a question shall limit any background explanation to two (2) statements, followed by the question.
3. The total speaking time shall be five (5) minutes maximum, per speaker.

7. **MATTERS TO BE CONSIDERED**

7.1. Report dated November 21, 2017 from the Director of Internal Audit: Final Audit Reports: 1. Community Services Department, Recreation Division, South Recreation District – Food Services Audit; and, 2. Transportation & Works Department, MiWay Transit Division – Transit Maintenance Audit.

Recommendation

That the report dated November 21, 2017 from the Director of Internal Audit with respect to final audit reports:

1. Community Services Department, Recreation Division, South Recreation District – Food Services Audit; and,
2. Transportation & Works Department, MiWay Transit Division – Transit Maintenance Audit.

be received for information.

Recommend Receipt

- 7.2. Report dated November 17, 2017 from the City Manager and Chief Administrative Officer: Status of Outstanding Audit Recommendations as of September 30, 2017.

Recommendation

That the report dated November 17, 2017 from the City Manager and Chief Administrative Officer regarding the status of outstanding audit recommendations as of September 30, 2017 be received for information.

Recommend Receipt

- 7.3 Report dated November 7, 2017 from the Commissioner of Corporate Services and Chief Financial Officer: 2017 Audit Plan.

Recommendation

That the report dated November 7, 2017 from the Commissioner of Corporate Services and Chief Financial Officer with respect to the 2017 Audit Planning Report (Appendix 1), be received for information.

Recommend Receipt

8. **ENQUIRIES**

9. **CLOSED SESSION**

Pursuant to the *Municipal Act 2001*, Section 239 (2):

- 9.1. The security of the property of the municipality or local board: **IT Security Briefing**

10. **ADJOURNMENT**

City of Mississauga

Minutes



Audit Committee

Date

2017/09/18

Time

9:00 AM

Location

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

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 – Nil**Staff Present**

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

Find it online

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

1. CALL TO ORDER – 9:01 AM
2. APPROVAL OF AGENDA
3. DECLARATION OF CONFLICT OF INTEREST - Nil
4. MINUTES OF PREVIOUS MEETING

- 4.1. Minutes of May 15, 2017

Approved (Councillor Mahoney)

5. DEPUTATIONS

- 5.1. Axel Breuer, resident with respect to concerns regarding the budget process.

Mr. Breuer spoke to the questions that he posed to staff; specifically he questioned the levies, staff absenteeism and early defibrillation. He expressed concern with the answers received from staff and requested that the External Auditor determine that the responses are reasonable.

Gary Kent, Commissioner, Corporate Services and Chief Financial Officer spoke to the matter and clarified loss time, employee engagement, the methodology for calculating loss time and the stormwater budget.

In response to a question from Councillor Tovey, Janice Baker, City Manager and CAO noted that the City has won a number of awards from the GFOA for the City's budget practices. She further noted that the City's budget practices have been dynamic including more engagement, performance matrix, looking at improvements and more real time data. Councillor Tovey agreed with Ms. Baker's comments and noted that the City is always looking for best practices and that he was comfortable with the work being done.

Mr. Kent further spoke to the matter and noted that staff have been transparent with the questions and answers to Mr. Breuer. Kevin Travers, KPMG spoke to best practices for budgeting process and noted that the City is moving towards it. The City is forward thinking and there is opportunity for further improvement. Councillor Mahoney noted that the City can make improvements and that he is comfortable with the work that staff have done and thanked Mr. Breuer for bringing his suggestions forward.

Received (Councillor Mahoney)

6. PUBLIC QUESTION PERIOD - Nil7. MATTERS CONSIDERED7.1. Letter dated July 21, 2017 in Response to Questions Circulated after Audit Committee in May 2017 by Mr. Axel BreuerRecommendation

AC-0013-2017

That the letter dated July 21, 2017 from Gary Kent, Commissioner, Corporate Services and Chief Financial Officer in Response to Questions Circulated after Audit Committee in May 2017 by Mr. Axel Breuer, be received.

RECORDED VOTE	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie	X			
Councillor J. Tovey	X			
Councillor K. Ras	X			
Councillor R. Starr	X			
Councillor M. Mahoney	X			

Received (Councillor Mahoney) (5, 0, 0)

7.2. Letter dated August 17, 2017 in Response to Questions from Mr. Axel BreuerRecommendation

AC-0014-2017

That the Letter dated August 17, 2017 from Gary Kent, Commissioner, Corporate Services and Chief Financial Officer in Response to Questions from Mr. Axel Breuer, be received.

RECORDED VOTE	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie	X			
Councillor J. Tovey	X			
Councillor K. Ras	X			
Councillor R. Starr	X			
Councillor M. Mahoney	X			

Received (Councillor Mahoney) (5, 0, 0)

7.3. Report dated September 11, 2017 from the Director of Internal Audit re: Final Audit Reports: 1. Community Services Department, Recreation Division - CLASS Facility Rentals Audit; and 2. Transportation & Works Department, Works Operations and Maintenance Division - Works Operations Payroll Audit

Amy Truong, Senior Internal Auditor provided an overview of the CLASS Facility Rentals Audit. Overall, there are ten (10) recommendations, of which six (6) address compliance with and clarification of corporate requirements, three (3) enhance operational control and financial reporting and one (1) promotes efficiency and effectiveness. Management has agreed with all of the recommendations and has committed to completing two (2) by the end of September 2017, five (5) by the end of the year and three (3) by March and June of 2018.

In response to a question from Mayor Crombie, Ms. Truong advised that no additional bookings are permitted if there are fees owing. She further noted that in discussions with Legal Services, providing there is acknowledgement by the customer either through payment or by email correspondence that it would signify an agreement to bind the contract.

Tara Zammit, Internal Auditor provided an overview of the Works Operations Payroll Audit. Overall, there are fourteen (14) recommendations, of which five (5) address compliance with and clarification of corporate requirements, one (1) relates to the safeguarding of assets and information, three (3) promote efficiency and effectiveness and five (5) enhance operational control and financial reporting. Management has agreed to all of the recommendations and one (1) has been completed, six (6) have been committed to be completed by September 2017, five (5) to be completed by November 2017 and one (1) by June 2018 with the remaining recommendation to be completed on or before December 2018.

In response to questions from Councillor Ras, Ms. Zammit advised that Works Operations management would contact the Lean Office to coordinate the timing and a project lead to conduct a lean review. She explained the process where the work orders are not created when staff are dispatched, but called back to deal with a weather event. Scott Holmes, Manager, Works Operations explained that supervisors at each yard are fully engaged in winter operations and noted that sometimes they are not properly administering the functions of the work being done to switch it over and this is something that will be worked on to ensure they understand the procedures.

In response to a question from Councillor Tovey, Mr. Steinbach explained that there has been an audit for material handling, but it is very defined.

In response to a question from Councillor Starr, Geoff Wright, Commissioner, Transportation and Works advised that there are procedures in place to ensure maximum hours of work per employee are not exceeded.

Recommendation

AC-0015-2017

That the report dated September 11, 2017 from the Director of Internal Audit with respect to final audit reports:

1. Community Services Department, Recreation Division - CLASS Facility Rentals Audit; and
2. Transportation & Works Department, Works Operations and Maintenance Division – Works Operations Payroll Audit, be received for information.

RECORDED VOTE	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie	X			
Councillor J. Tovey	X			
Councillor K. Ras	X			
Councillor R. Starr	X			
Councillor M. Mahoney	X			

Received (5, 0, 0)

7.4. Report dated September 1, 2017 from the Director of Internal Audit re: 2017 Internal Audit Work Plan Status Report

Al Steinbach, Director, Internal Audit noted that staff are on target to meet the requirements of the work plan. There will be three (3) initiatives that are ongoing: corporate risk assessment, external quality assurance review and the lean review on the Internal Audit business process.

Recommendation

That the report dated September 1, 2017 from the Director, Internal Audit, with respect to the status of the 2017 Internal Audit Work Plan be received for information.

RECORDED VOTE	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie	X			
Councillor J. Tovey	X			
Councillor K. Ras	X			
Councillor R. Starr	X			
Councillor M. Mahoney	X			

Received (Councillor Tovey) (5, 0, 0)

8. ENQUIRIES – Nil
9. CLOSED SESSION - Nil
10. ADJOURNMENT – 9:55 AM

Draft

City of Mississauga

Corporate Report



Date: 2017/11/21

To: Chair and Members of Audit Committee

From: Al Steinbach, CPA, CMA, CRMA
Director, Internal Audit

Originator's files:

Meeting date:
2017/12/04

Subject

Final Audit Reports:

1. **Community Services Department, Recreation Division, South Recreation District – Food Services Audit; and,**
2. **Transportation & Works Department, MiWay Transit Division – Transit Maintenance Audit.**

Recommendation

That the report dated November 21, 2017 from the Director of Internal Audit with respect to final audit reports:

1. Community Services Department, Recreation Division, South Recreation District – Food Services Audit; and,
2. Transportation & Works Department, MiWay Transit Division – Transit Maintenance 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. Community Services Department, Recreation Division, South Recreation District – Food Services Audit; and,
2. Transportation & Works Department, MiWay Transit Division – Transit Maintenance Audit.

Audit Committee

2017/11/21

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Originators files:

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

Financial Impact

Not applicable.

Conclusion

The final reports for Community Services Department, Recreation Division, South Recreation District – Food Services Audit, and Transportation & Works Department, MiWay Transit Division – Transit Maintenance Audit are now complete and are submitted for consideration by the Audit Committee.

Attachments

- Appendix 1: Community Services Department, Recreation Division, South Recreation District
- Food Services Audit
- Appendix 2: Transportation and Works Department, MiWay Transit Division - Transit
Maintenance Audit



Al Steinbach, CPA, CMA, CRMA
Director, Internal Audit

Prepared by: Karen Hobbs, Administrative Coordinator

City of Mississauga
Corporate Report



Date: 2017/11/17

To: Chair and Members of Audit Committee

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

Originator's files:

Meeting date:
 2017/12/04

Subject

Status of Outstanding Audit Recommendations as of September 30, 2017

Recommendation

That the report dated November 17, 2017 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of September 30, 2017 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, 2017.

Comments

A summary of recommendations which were outstanding as of March 31, 2017 (the effective date of the previous status report to the Audit Committee) and new recommendations which were scheduled for completion from April 1, 2017 to September 30, 2017 is attached as Appendix 1.

Twenty-one (21) of the thirty-eight (38) recommendations which were previously outstanding as at September 30, 2016 have since been completed and implementation of these recommendations has been verified by Internal Audit. Detailed comments and status for the seventeen (17) recommendations that are still outstanding are attached in Appendix 2. Of the seventeen (17) recommendations, three (3) require enhancement of computer systems which is underway; four (4) entail documentation of business processes; and two (2) relate to business continuity and recovery. The remainder of the outstanding recommendations, eight (8), involve review and updating of business processes which are in progress.

Audit Committee	2017/11/17	2
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Originators files:

Fourteen (14) new recommendations that were due between April 1, 2017 and September 30, 2017 were added to the list. Ten (10) have been completed and implementation of these recommendations has been verified by Internal Audit. The remaining four (4) recommendations are in various stages of implementation. In addition, six (6) recommendations that are due after September 30, 2017 have been completed ahead of their scheduled due dates.

Financial Impact

None.

Conclusion

In summary, fifty-two (52) recommendations were scheduled for implementation prior to September 30, 2017 (effective date of this report). Twenty-one (21) of the recommendations that were outstanding from the previous status report of March 31, 2017 and ten (10) with due dates between April 1, 2017 and September 30, 2017 were done. An additional six (6) recommendations with due dates after September 30, 2017 were completed ahead of schedule. Work continues with implementation of the twenty (20) recommendations that were outstanding as at September 30, 2017 and will be closely monitored to ensure timely implementation.

Attachments

- Appendix 1: Status of Outstanding Audit Recommendations as at September 30, 2017
- Appendix 2: Status of Audit Recommendations Outstanding as at April 1, 2017 and Still in Progress as of September 30, 2017



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

Prepared by: Tara Zammit, Senior Internal Auditor

**STATUS OF OUTSTANDING AUDIT RECOMMENDATIONS
AS AT SEPTEMBER 30, 2017**

(1) Audit	(2) Date Issued (MM/YY)	(3) Outstanding March 31, 2017 *	(4) New **	(5) Implemented/ Resolved	(6) In Progress September 30, 2017	(7) Due After September 30, 2017 and completed ***
Medium Value Acquisition	02/13	1	0	1	0	0
Accounts Receivable Collections	04/14	1	0	1	0	0
Notice of Contravention Process	08/14	1	0	1	0	0
Mississauga Transit Union Payroll	08/14	4	0	2	2	0
Animal Services E3 Review	12/14	1	0	0	1	0
Business Continuity and Disaster Recovery Plan Review	02/15	2	0	0	2	0
Overtime/Lieu (Non-Union)	08/15	5		5	0	0
Current Maintenance F&PM Contracts	10/15	2	0	0	2	0
Rental and Lease Agreements	10/15	3	0	1	2	0
Mississauga Sport Zone Cash Handling	01/16	1	0	0	1	0
Capital Works Maintenance Contracts	02/16	1	0	1	0	0
Urban Forestry Capital Contracts	04/16	1	0	1	0	0
Corporate Fleet	04/16	1	0	0	1	0
POA Revenue and Cash Handling	08/16	3	1	0	4	0
Mississauga Spectator Arena Complex Management Agreement	09/16	1	1	1	1	0
Administrative Penalty System	11/16	9	1	7	3	0
Meadowvale Theatre	11/16	1	2	3	0	4
F&PM Capital Maintenance Contracts	02/17	0	4	4	0	2
MFES Building and Fleet Maintenance	04/17	0	1	1	0	0
CLASS Facilities Rental	08/17	0	2	2	0	0
Works Operations Payroll	08/17	0	2	1	1	0
TOTAL		38	14	32	20	6

* This column includes recommendations which were originally scheduled for implementation on or prior to March 31, 2017 (effective date of the previous status report to Audit Committee).

** This column includes recommendations which were originally scheduled for implementation between April 1, 2017 and September 30, 2017 (effective date of the current status report to Audit Committee).

*** This column indicates recommendations which were originally scheduled to be implemented after September 30, 2017 but have already been completed.

STATUS OF AUDIT RECOMMENDATIONS
OUTSTANDING AS OF MARCH 31, 2017 AND
STILL IN PROGRESS AS OF SEPTEMBER 30, 2017

Page 1 of 2

Audit	No. of Recommendations	Comments/Status
Enhancement of Computer System		
2014 Animal Services e3 Review	1	A beta version of the pet licence tag inventory application has been given to Animal Services for testing. Anticipating the application will be going live in the near future. This recommendation expected to be completed by the end of 2017.
2015 Rental and Lease Agreements	1	Work had begun on a robust database; however, the request to have this system implemented for 2018 was not approved to move forward due to the costs associated (approx. \$1million to implement). The Division has been asked to review and confirm the costs to make sure the effort involved has been accurately captured and that the solution is the best recommendation to move forward. Working through this in 2018 for funding for 2019. This recommendation expected to be completed by the end of 2019.
2016 Administrative Penalty System	1	Business area is working with IT to review the process of updating and maintaining the tables for infraction and penalty amounts for the front-end applications and AutoProcess streamlined. Expected to be completed by October 31, 2017.
Business Process Documentation		
2016 Administrative Penalty System	1	This is ongoing; many procedures have been documented for APS in Mobile Licensing and Parking Enforcement. Training will be provided once documentation is complete. These recommendations are expected to be completed by December 31, 2017.
2016 POA Revenue and Cash Handling Audit	3	Completion of the recommendations has been delayed. There is currently an acting manager in the business area. These recommendations are expected to be completed by January 1, 2018.
Business Continuity and Recovery		
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.
Review and Update of Business Processes		
2014 Mississauga Transit Payroll	2	One of the recommendations relates 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.

STATUS OF AUDIT RECOMMENDATIONS
OUTSTANDING AS OF MARCH 31, 2017 AND
STILL IN PROGRESS AS OF SEPTEMBER 30, 2017

Page 2 of 2

Audit	No. of Recommendations	Comments/Status
		Furthermore, a procedural manual for Transit Maintenance and automation of allowance calculation will be addressed once the upgrade to Hastus is completed.
2015 Current Maintenance Contracts F&PM	2	Business area is reviewing the option to set up contracts and labour rates in the Enterprise Infor system. Additionally, for managing work schedules and work completed electronically, IT is working on a solution which has a revised completion date of June 2018.
2015 Rental and Lease Agreements	1	Working with an Agreement Abstract to clearly define roles and responsibilities regarding the agreements. Realty is working on identifying stakeholders and informing them with the requirement to collect. Approximately 60% of this process has been completed. Expected to be completed by end of 2017.
2016 Mississauga Spectator Arena Complex Management Agreement Audit	1	Recommendation will be resolved in 2018 when negotiating the new agreement.
2016 Mississauga Sport Zone Cash Handling	1	The initial stage of the policy is in development. Handling of electronic devices is outstanding and team is working to resolve. Expected to be completed by end of 2018.
2016 Corporate Fleet	1	A draft contract has been developed by the Legal Department. The document is being reviewed by Materiel Management, and is expected to be completed by the end of 2017.
Total	17	

City of Mississauga

Corporate Report



Date: 2017/11/07

To: Chair and Members of Audit Committee

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

Originator's files:

Meeting date:
2017/12/04

Subject

2017 Audit Plan

Recommendation

That the report dated November 7, 2017 from the Commissioner of Corporate Services and Chief Financial Officer with respect to the 2017 Audit Planning Report (Appendix 1), be received for information.

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 third year of the contract for the fiscal years 2015 to 2019.

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.

Audit Committee	2017/12/04	2
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- 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 2017 audit.

Attachments

Appendix 1: 2017 KPMG Audit Plan Report

Appendix 2: KPMG Engagement Letter



Gary Kent, Commissioner of Corporate Services and Chief Financial Officer

Prepared by: Mark Beauparlant, Manager of Financial and Treasury Services



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

**Audit Planning Report
For the year ending December 31, 2017**

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

kpmg.ca/audit



The contacts at KPMG in connection with this report are:

Kevin Travers

Lead Audit Engagement Partner

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Ana Chan

Audit Senior Manager

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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. The audit of the City's consolidated financial statements is considered a group audit which involves several components.

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 16, 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 \$21,682,000 for the year ending December 31, 2017 (2016 - \$19,170,000).

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.

Current developments

Please refer to Appendix 7 for relevant accounting changes relevant to the City.

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 scope

Professional standards require that we obtain an understanding of the Company'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 an 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 2017 financial statements of Enersource.
Non- significant components: City of Mississauga Library Board, Port Credit BIA, Streetsville BIA Malton BIA, Clarkson BIA	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 2017 financial statements.

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 the risk of management override of controls exist in all companies. The risk of fraudulent revenue 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.

Professional requirements	Why	Our audit approach
Fraud risk from revenue recognition	<p>This is a presumed fraud risk, which has not been rebutted.</p> <p>The primary risk resides with manual journal entries and other adjustments for revenue transactions not in the normal course of business or revenue cutoff.</p>	<p>Our audit methodology incorporates the required procedures in professional standards to address this risk.</p> <p>Our audit approach will consist of evaluating the design and implementation of selected relevant controls. We test journal entries that meet specific criteria. This criteria is designed during the planning phase of the audit and is based on areas and/or accounts that are susceptible to manipulation through management override and/or we design search filters that allow us to identify any unusual journal entries.</p> <p>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.</p>
Fraud risk from management override of controls	<p>This is a presumed fraud risk.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>	<p>As the risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. 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.</p>

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.

Areas of focus	Our audit approach
Debenture debt issuance	<ul style="list-style-type: none"> • Review Council and Regional Municipality of Peel by-laws on the issuance of the debenture debt • Review note disclosures
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, if applicable • 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

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.

Areas of focus	Our audit approach
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, and the BIAs, 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.
Contingencies	<ul style="list-style-type: none"> • Review of Council Meeting minutes • Direct communication with internal legal counsel (and external as necessary) to ensure that all significant contingent liabilities are appropriately disclosed and/or recorded • Significant findings review with management
Contaminated Sites liability	<ul style="list-style-type: none"> • 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 • Make inquiries of key stakeholders to validate the completeness assertion of contaminated sites.
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.

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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.	\$867.296 million
% of Benchmark	Materiality is determined as a percentage to the benchmark above. The corresponding percentage for the 2016 audit was 2%.	2.5%
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 2016 audit was \$19.170 million.	\$21.682 million
Significant Component: Enersource Corporation	Materiality for the audit of Enersource Corporation The corresponding amount for the 2016 audit was \$15.336million	\$14 million

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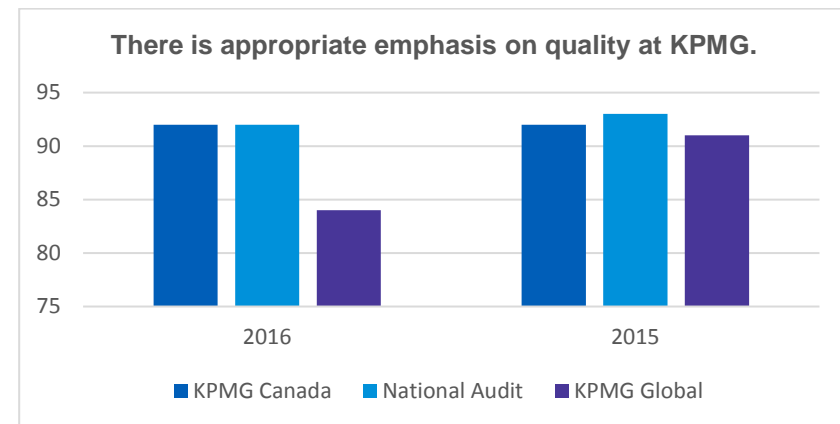
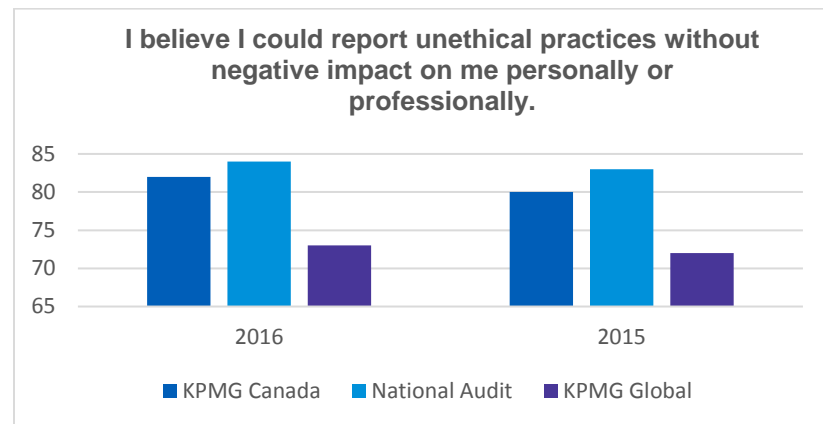
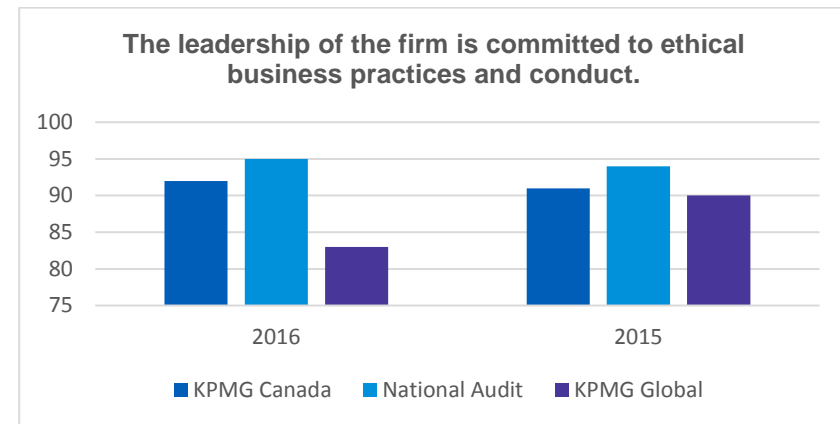
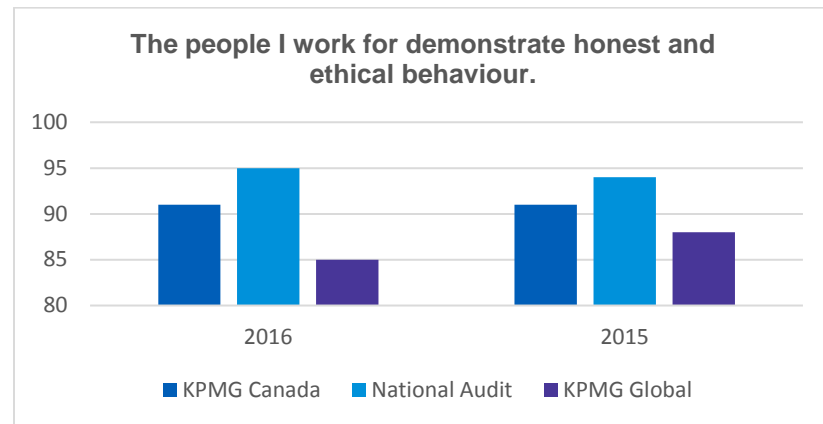
Team contacts

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

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Our tone at the top

KPMG's commitment to quality starts with leadership and with the tone at the top that drives the pursuit of audit quality at a global level and in every KPMG member firm and audit engagement. The KPMG network includes more than 162,000 professionals around the world of which 2,500+ are audit professionals in Canada. Our annual Global People Survey provides our people a chance to communicate how they feel about working at KPMG.



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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 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 4 other GTA municipal audits in addition to the City, but he is the leader of KPMG's National Cities Audit 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.

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 cycle and timetable

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

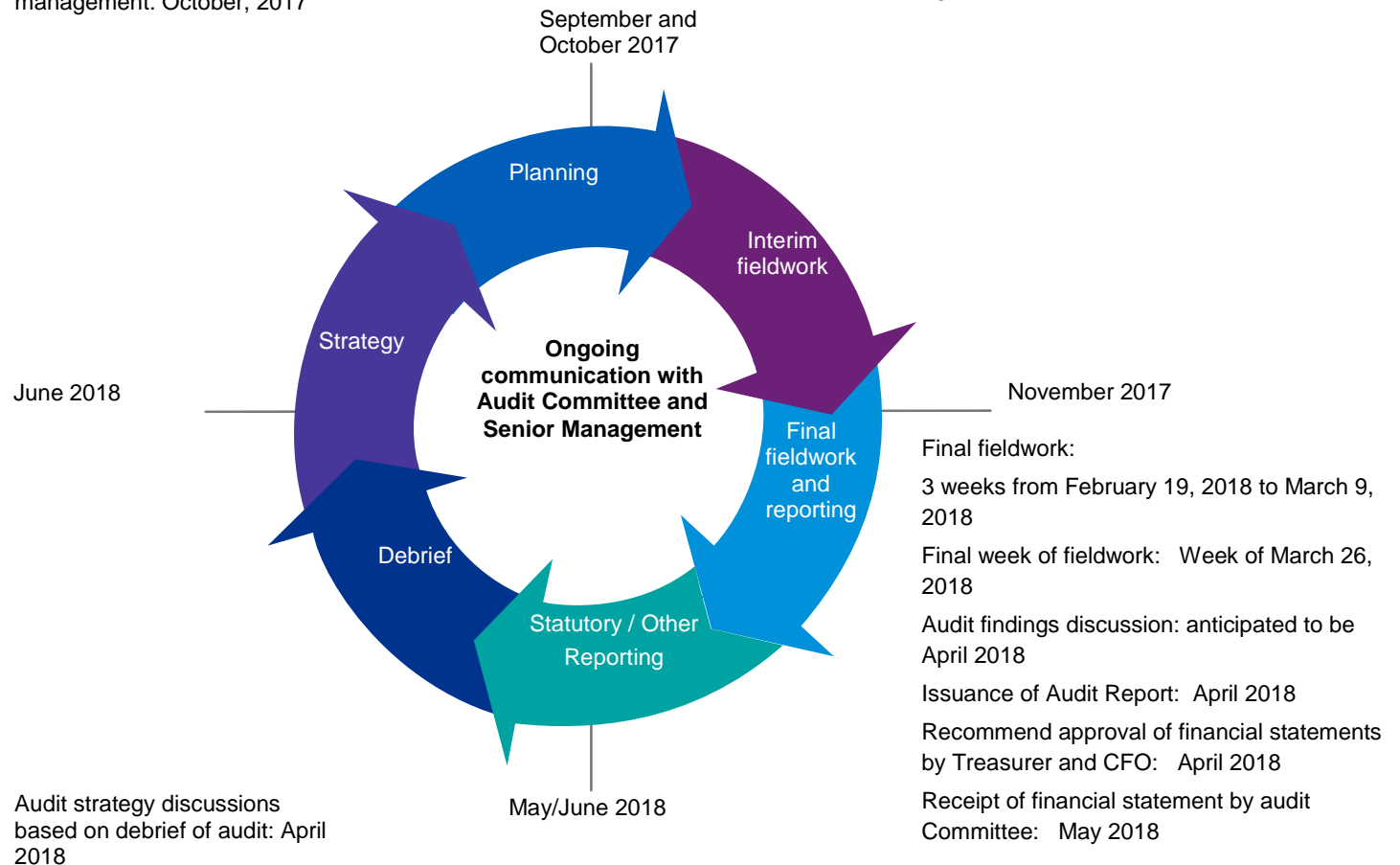
To provide a robust audit, efficiently delivered by a high quality team focused on key issues.

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

Commence year end planning:
September 2017

Planning meeting with
management: October, 2017

Interim fieldwork: Week of November 20,
2017



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: Audit trends

Appendix 6: New Auditor Reporting

Appendix 7: 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 our [Audit Quality Resources](#) page for more information including access to our audit quality report, [Audit quality: Our hands-on process](#).

- 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

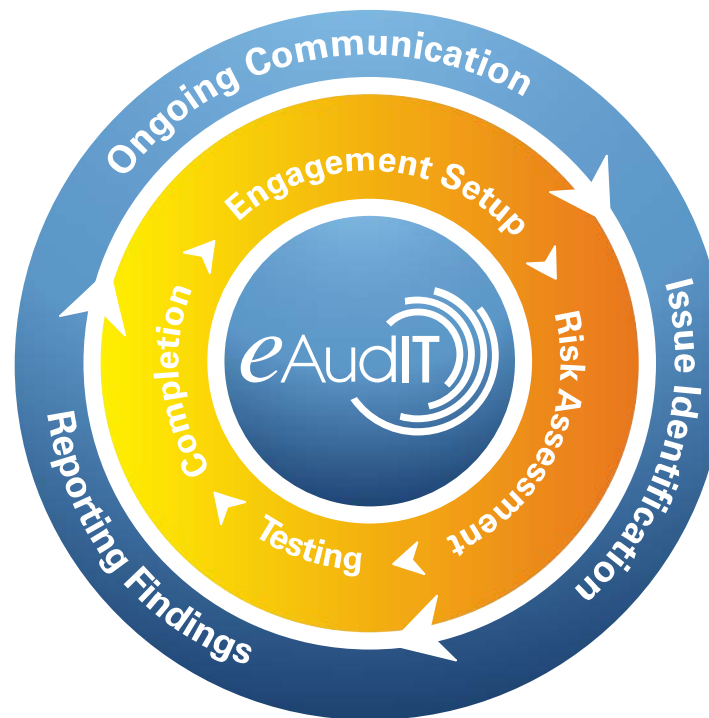
Technology-enabled audit workflow (eAudit)

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
 - 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?
- **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

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

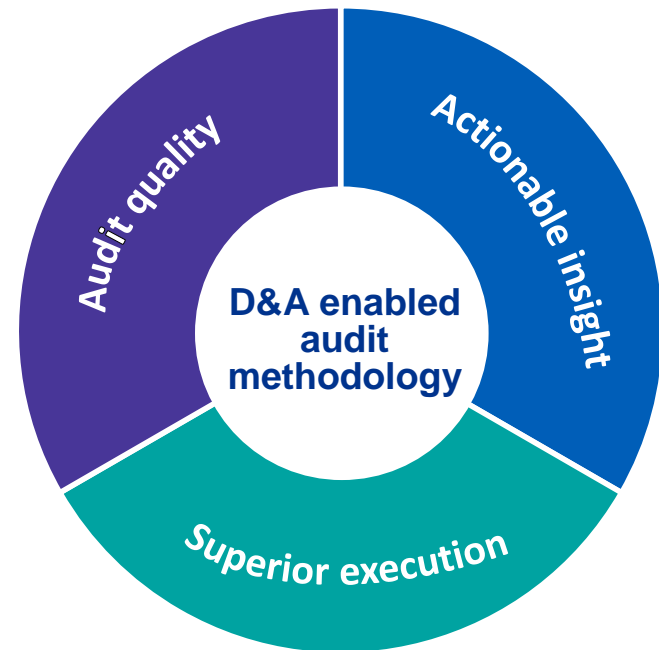
Audit quality

- 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: Audit trends

KPMG understands the wide range of challenges and evolving trends that you face as an audit committee of the City. We also understand that sometimes keeping up with critical issues as they emerge can be difficult.

As your auditors, it is incumbent upon us to provide you with any information that will help you further strengthen corporate governance, enhance your oversight and add greater value within your organization.

As such, KPMG's Audit Committee Institute ([ACI](#)) provides information, resources and opportunities for you to share knowledge with your peers. First, you are welcome to attend our Audit Committee Roundtable sessions, which are held in

major cities across the country. In addition, you will also benefit from our monthly article series ([Audit Point of View](#)) and quarterly videos ([FrontPage Video Series](#)) that focus on the most pressing audit committee agenda items.

More information on all of these can easily be found at www.kpmg.ca/audit.

Our discussions with you, our audit opinion and what KPMG is seeing in the marketplace—both from an audit and industry perspective—indicate the following is specific information that will be of particular interest to the City. We would, of course, be happy to further discuss this information with you at your convenience.

Thought Leadership	Overview
Cyber Security Risks	With the constant changing cyber threat landscape, companies are changing their risks-protection strategies, identifying core assets and qualifying threats. FrontPage Video
Asset Retirement Obligations webinar	Please join Bailey Church – Leader of KPMG's National Public Sector Accounting Advisory service for an in-depth discussion regarding the PSAB exposure draft. https://event.webcasts.com/starthere.jsp?ei=1154575&tp_key=727ec1705a
Benchmarking City Services	This city benchmarking report examines the performance of city services around the world to uncover insights and help create real value. https://home.kpmg.com/xx/en/home/insights/2017/09/finding-the-courage-to-improve-benchmarking-city-services.html

Appendix 6: New Auditor Reporting

In response to investors demanding more than a binary pass/fail opinion from the auditors' report, the new and revised auditor reporting standards have introduced significant changes to the traditional auditors' report we provide.

In April 2017, the Auditing and Assurance Standards Board (AASB) in Canada approved the new and revised auditor reporting standards as Canadian Auditing Standards (CASs).

What's new?

Highlights of the new auditors' report include:

Change	Applicability
Re-ordering of the auditors' report, including moving opinion to the first section	Listed and non-listed entities
Expanded descriptions of management's, those charged with governance and auditors' responsibilities	Listed and non-listed entities
Description of key audit matters	Applicable only when required by law or regulation or when the auditors is engaged to do so

When are the new requirements effective?

The new and revised standards in Canada will be effective for audits of financial statements for periods ending on or after December 15, 2018 with early application permitted.

Appendix 7: 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 chose 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"> — 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. — The public sector entity can control the economic resource and access to the future economic benefits. — The transaction or event giving rise to the public sector entity's control has already occurred. <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"> — An existing condition or situation that is unresolved at the financial statement date. — An expected future event that will resolve the uncertainty as to whether an asset exists. <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"> (a) contractual rights to revenue that are abnormal in relation to the financial position or usual business operations; and (b) contractual rights that will govern the level of certain type of revenue for a considerable period into the future. <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"> • In the normal course of business – use exchange amount • Fair value consideration – use exchange amount • No or nominal amount – provider to use carrying amount; recipient choice of either carrying amount or value fair.

	<ul style="list-style-type: none"> • Cost allocation – use exchange amount <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, 2020 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>

kpmg.ca/audit



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 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,



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

Appendix B □ Expected Form of Report

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@kpmg.ca); 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.