
Audit Committee

Date

May 15, 2017

Time

9:01 AM

Location

Council Chamber, 2nd Floor, Civic Centre, 300 City Centre Drive, Mississauga, ON L5B3C1

Members Present

Mayor Bonnie Crombie	(Arrived at 9:08 a.m., Departed 10:00am)
Councillor Karen Ras	Ward 2
Councillor Matt Mahoney	Ward 8
Councillor Ron Starr	Ward 6 (Chair)
Councillor Jim Tovey	Ward 1

Members Absent

Nil

Staff Present

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

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1. CALL TO ORDER – 9:01 AM

2. APPROVAL OF AGENDA

Approved (Councillor Tovey)

3. DECLARATION OF CONFLICT OF INTEREST - Nil

4. MINUTES OF PREVIOUS MEETING

4.1. That the Audit Committee Minutes of March 6, 2017 be approved as presented.

Al Steinbach, Director, Audit advised that on page 4 of the minutes in item 7.2 it was noted that a review takes place every 3 years and it should be corrected to 5 years in the minutes.

Amended/Approved (Councillor Mahoney)

5. DEPUTATIONS

5.1. Gary Kent, Commissioner, Corporate Services & Chief Financial Officer to provide opening remarks regarding financial statements.

Mr. Kent provided introductory comments for the financial statements.

5.3. Item 7.1 Jeff Jackson, Director, Finance with respect to the 2016 Audited Financial Statements.

Mr. Jackson explained the differences between the annual financial statements versus the budget book. He further explained the City's financial assets, financial liabilities, non-financial assets, accumulated surplus, revenues, and expenses.

Kevin Travers, KPMG noted that the presentation outlines some of the more significant differences between how municipalities have traditionally budgeted as compared to the evolution of financial reporting in a local government setting. He noted that he expects there would be continued evolution in how municipalities present budgets and financial reporting.

Mayor Crombie arrived in the Council Chamber at 9:08am.

5.2. Item 7.1 Axel Breuer, Resident,

Mr. Breuer enquired about the budget, specifically regarding absenteeism reports, why is benchmarking not applied to compensation, ISO 14001 not included in the priority list for storm water, how was Mississauga rated on the 7 criteria for the Government Finance Officers Award (GFOA), Fire Services performance targets and performance audits.

Janice Baker, City Manager and CAO advised that Mayor Crombie was briefed and provided background regarding Mr. Breuer's concerns and how they have been addressed. Ms. Baker commented on the GFOA and noted that the City's budget is vetted against their criteria. In addition, the GFOA also critiques the City's budget and provides feedback for improvements. Every year adjustments and improvements are made to how the budget is presented, such as transparency, feedback and public engagement. Benchmarking is utilized against other municipalities to make improvements and to win the award the City must meet or exceed the standards in North America.

Mr. Breuer expressed concern that the City is not following best practices with the City's budget. He referred to questions for the standard of the budget and noted that he has concerns that the City is not setting targets and measuring against it. Mr. Breuer requested an independent review of the City's budget to ensure that the City is utilizing best practices.

Kevin Travers, External Auditor, KPMG spoke to best practices and noted that there are a very low number of municipalities that meet all of the best practices for financial reporting. He noted that he had conversations with the City with respect to best practices and they are mindful of them and are moving forward with some of his suggestions. Mr. Travers noted that the GFOA checklist has changed over the years and will continue to change. The City is not at all of the best practices yet, but based on conversations they do have an interest to continue in that direction.

Councillor Ras requested the latest copy of the GFOA report where it outlines the areas where the City can make improvements and circulate it to members of Council. In addition, a presentation to Budget Committee outlining the GFOA process would be helpful. Gary Kent, Commissioner, Corporate Services and Chief Financial Officer confirmed that staff would provide a copy of the GFOA report and a presentation to Budget Committee. Mr. Kent spoke to performance measures and quality control around the balance scorecards for departments. Mr. Breuer advised that he would forward his list of questions to Mr. Kent for staff to review.

Mayor Crombie expressed her appreciation for Mr. Breuer's input and noted that the City exceeds in many areas with respect to the budget and working to do better.

Councillor Mahoney suggested that staff and Mr. Travers review Mr. Breuer's questions and that staff respond and report back to Audit Committee.

RECOMMENDATION

AC-0006-2017

That staff and the External Auditor review the questions brought forward by Axel Breuer, resident to the May 15, 2017 Audit Committee meeting and report back.

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			

Approved (Councillor Mahoney) (5, 0, 0)

RECOMMENDATION

AC-0007-2017

That the following deputations regarding the 2016 Audited Financial Statements be received:

- a) Gary Kent, Commissioner, Corporate Services and Chief Financial Officer
- b) Jeff Jackson, Director, Finance and Treasurer
- c) Axel Breuer, resident

Received (Councillor Mahoney)

Mayor Crombie departed the meeting at 10:00am.

6. **PUBLIC QUESTION PERIOD** - 15 minute limit

Chris Mackie, MIRANET enquired about the difference between the financial statements and budget, the calculation of the 2016 amortization and unfunded liabilities. Mr. Kent and Mr. Jackson explained the difference in how the financial statements and budget are prepared. It was further noted that 2/3 of the liabilities are unfunded but there are other mechanisms to ensure that there is funding in place.

William Chudiak, resident expressed concern that there were no responses to the questions that Mr. Breuer had provided. Ms. Baker and Councillor Mahoney clarified that written correspondence was provided and Mr. Breuer was invited to come to Audit Committee to raise his concerns.

7. MATTERS CONSIDERED

7.1. Report dated April 18, 2017 from the Commissioner of Corporate Services and Chief Financial Officer re: 2016 Audited Financial Statements.

Members of Committee enquired about the City's investment strategy, development charges and the gas tax. Mr. Jackson explained that staff follow a guideline that is approved by Council and in line with the *Municipal Act*. He further noted that there is difficulty in predicting when the money would be spent and when the development projects would be completed. Mr. Kent explained the there isn't much flexibility with the dedicated reserve funds such as the gas tax.

RECOMMENDATION

AC-0008-2017

That the 2016 Audited Financial Statements for City of Mississauga (consolidated), City of Mississauga Public Library Board, City of Mississauga Trust Funds, Clarkson Business Improvement Area, Port Credit Business Improvement Area, Streetsville Business Improvement Area, Malton Business Improvement Area, and Enersource Corporation be received 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 Ras) (4, 1-Absent, 0)

7.2. Revised Report dated April 18, 2017 from the Commissioner of Corporate Services and Chief Financial Officer re: 2016 External Audit Findings Report

RECOMMENDATION

AC-0009-2017

That the 2016 External Audit Findings Report dated April 18, 2016 from the Commissioner of Corporate Services and Chief Financial Officer, which includes the Audit Findings Report from KPMG for the fiscal year 2016 for the City of Mississauga (City), 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) (4, 1-Absent, 0)

7.3. Report dated May 3, 2017 from the Director of Internal Audit re: Final Audit Reports: 1. Community Services Department, Fire and Emergency Services Division - Building and Fleet Maintenance Audit; and 2. Corporate Services Department, Finance Division Investments Section - 2016 Investment Audit.

Al Steinbach, Director, Internal Audit provided an overview of the Building and Fleet Maintenance audit. He highlighted that most of the recommendations revolve around the lack of standard operating procedures and opportunities for Mississauga Fire and Emergency Services (MFES) to recoup operating and maintenance expenses from their shared facilities with the Region of Peel. Overall, there are twelve (12) recommendations, of which seven (7) enhance Operational Control and Financial Reporting, three (3) address concerns with Compliance with and Clarification of Corporate Requirements, and two (2) with Safeguarding of Assets and Information. Management has agreed with all of the recommendations of which four (4) have been completed and the recommendation pertaining to shared facility chargebacks would be completed by May 30, 2017.

Councillors Ras and Starr enquired about future audits for MFES, retaining institutional knowledge after retirements and reaction to report by MFES staff. In response to questions, Mr. Steinbach advised that there would be a corporate risk assessment to identify high risk areas and it would determine the 3 year work plan that would be brought to Audit Committee for approval. Janice Baker, City Manager and CAO spoke to updating procedural manuals and succession planning to retain institutional knowledge. Tim Beckett, Fire Chief spoke to a culture shift and noted there is an action plan to address the recommendations. Mr. Steinbach clarified that the MFES recommendations are due to be completed by the end of the year and staff would do a follow up audit.

Mr. Steinbach spoke to the internal audit review of the 2016 investment audit and noted that there was compliance with the five (5) objectives. There are no comments or recommendations at this time.

RECOMMENDATION

AC-0010-2017

That the report dated May 3, 2017 from the Director of Internal Audit with respect to final audit reports:

1. Community Services Department, Fire and Emergency Services Division – Building and Fleet Maintenance Audit; and,
2. Corporate Services Department, Finance Division, Investments Section – 2016 Investment 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 (Councillor Mahoney) (4, 1-Absent, 0)

- 7.4. Report dated April 27, 2017 from the City Manager and Chief Administrative Officer re: Status of Outstanding Audit Recommendations as of March 31, 2017

RECOMMENDATION

AC-0011-2017

That the report dated April 27, 2017 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of March 31, 2017 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 Ras) (3, 2-Absent, 0)

8. ENQUIRIES - Nil
9. CLOSED SESSION - Nil
10. ADJOURNMENT (Councillor Mahoney) - 10:47AM