
Audit Committee

Date

2018/11/12

Time

9:00 AM

Location

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

Members

Mayor Bonnie Crombie	
Councillor Dave Cook	Ward 1
Councillor Karen Ras	Ward 2
Councillor Ron Starr	Ward 6
Councillor Matt Mahoney	Ward 8

Contact

Krystal Christopher, Legislative Coordinator, Legislative Services
905-615-3200 ext. 5411
krystal.christopher@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. Audit Committee Minutes - May 7, 2018

5. **DEPUTATIONS**

5.1. 2018 Audit Plan

Kevin Travers, Lead Audit Engagement Partner, KPMG LLP with respect to the 2018 Audit Plan.

Corporate Report 7.1.

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:
The 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 September 19, 2018 from the Commissioner of Corporate Services and Chief Financial Officer: **2018 Audit Plan.**

Recommendation

That the report dated October 23, 2018 from the Commissioner of Corporate Services and Chief Financial Officer with respect to the 2018 Audit Planning Report (Appendix 1), be received for information.

Receipt Recommended

- 7.2. Report dated October 31, 2018 from the Director, Internal Audit: **Final Audit Reports:**
1. **Community Services Department, Parks and Forestry Division – Forestry Current Contracts Audit**
 2. **Community Services Department, Recreation Division – CLASS Memberships and Registrations Audit**
 3. **Corporate Services Department, Revenue and Materiel Management Division, Material Management – Single, Sole Source and Emergency Acquisition Audit**
 4. **Corporate Services Department, Revenue and Materiel Management Division – Office Supplies Contract Audit.**

Recommendation

That the report dated October 31, 2018 from the Director of Internal Audit with respect to final audit reports:

1. Community Services Department, Parks and Forestry Division – Forestry Current Contracts Audit;
2. Community Services Department, Recreation Division – CLASS Memberships and Registrations Audit;
3. Corporate Services Department, Revenue and Materiel Management Division, Material Management – Single, Sole Source and Emergency Acquisition Audit; and,
4. Corporate Services Department, Revenue and Materiel Management Division – Office Supplies Contract Audit

be received for information.

Receipt Recommended

- 7.3. Report dated October 15, 2018 from the Director, Internal Audit: **2018 Internal Audit Work Plan Status Report.**

Recommendation

That the report dated October 15, 2018 from the Director, Internal Audit, with respect to the status of the 2018 Internal Audit Work Plan be received for information.

Receipt Recommended

- 7.4. Report dated October 30, 2018 from the City Manager and Chief Administrative Officer:
Status of Outstanding Audit Recommendations as of September 30, 2018.

Recommendation

That the report dated October 30, 2018 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of September 30, 2018 be received for information.

Receipt Recommended

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

City of Mississauga

Minutes



Audit Committee

Date

2018/05/07

Time

9:03 AM

Location

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

Members Present

Mayor Bonnie Crombie	(Arrived at 9:19 AM)
Councillor Dave Cook	Ward 1
Councillor Karen Ras	Ward 2
Councillor Ron Starr	Ward 6
Councillor Matt Mahoney	Ward 8

Members Absent

Nil

Staff Present

Gary Kent, Commissioner, Corporate Services and Chief Financial Officer
Jeff Jackson, Director of Finance and Treasurer
Mark Beauparlant, Manager of Corporate Financial Services
Robin Uba, Manager, Corporate Performance and Innovation
Al Steinbach, Director, Internal Audit
Thomas Kelly, Senior Auditor, Internal Audit
Tara Zammit, Senior Auditor, Internal Audit
Kevin M. Travers, Partner, KPMG, External Auditor
Mumtaz Alikhan, Legislative Coordinator, Office of the City Clerk
Megan Piercey, Committee Assistant, Office of the City Clerk
Allyson D'Ovidio, Legislative Coordinator, Office of the City Clerk

Find it online

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

1. CALL TO ORDER □ 9:03 A.M
2. APPROVAL OF AGENDA
Approved (Councillor Ras)
3. DECLARATION OF CONFLICT OF INTEREST- Nil
4. MINUTES OF PREVIOUS MEETING
 - 4.1. Audit Committee Meeting Minutes of March 5, 2018
Approved (Councillor Mahoney)
5. DEPUTATIONS
 - 5.1. Item 7.1. Anthony Hamer, Partner and Mike Varey, Partner, KPMG Canada with respect to the Proposed Performance Measures System.

Gary Kent, Commissioner of Corporate Services and Chief Financial Officer introduced the team from KMPG and provided background information with respect to the purpose of the assessment of our performance measures.

Anthony Hamer, Partner, KPMG Canada and Mike Varey, Partner, KPMG Canada introduced themselves and the basis of their review. Mr. Varey spoke about the City's objectives for the study; an assessment of Mississauga's corporate performance measures (CPMs) based on industry best practise framework and to identify recommendations to improve the CPMs.

The scope of the assessment included 220 CPMs within 15 Service Area Business Plans and a review of approximately 400 operational measures. The approach to the assessment involved 5 different phases including data collection and workshops with various levels of staff and the Leaderships teams.

Mr. Varey spoke to the Municipal Reference Model (MRM); the framework used for understanding performance measures in relation to the different components of a City's business Model. The measures include: efficiency; effectiveness and quality. Mr. Varey noted a maturity model was used to assess and identify areas for improvement. The model included five categories: Accountability; Customer; Financial; Service and Strategic.

Mr. Hamer spoke to current state of the City's CPMs maturity assessment, noting Mississauga is ahead of other municipalities. Mr. Hamer spoke about the focus of the benchmarking; barriers; success factors, including regular reviews around impacts of performance and whether they should be modified. Mr. Hamer spoke to 9 overall recommendations including working towards lifting the divisions from a level 2.1 to a level 3 by December 2019 and the next steps.

In response to Councillor Starr, Mr. Hamer noted the average MRM score of other municipalities is 1.6 and Mississauga is ahead at 2.1 with 3.0 being the ideal score.

Robin Uba, Manager of Corporate Performance and Innovation discussed her role as the designer of the CPM Program; its purpose and action items which include the following:

1. Form a dedicated permanent Performance Measures team;
2. Deliver a training program to increase knowledge about operational and strategic measures;
3. Collaborate with staff to identify and use new operational measures;
4. Coordinate with Information Technology to automate the measures;
5. Provide periodic updates to Audit Committee and/or Council on the progress of the program; and
6. Attain ISO 37120 certification through World Council on City Data (WCCD)

In response to Councillor Ras, Ms. Baker spoke about the exercise, noting the results can be used as a road map for staff to move forward as part of a 3 year plan with a timetable that is tied into leveraging technology and supporting the performance measures program. Ms. Baker noted we will need a dedicated team to work on the infrastructure management of the system and focus on measures that require the most support. Councillor Ras noted 3 years is a significant amount of time and cautioned staff about extending the timeline any further.

Members of the Committee, Mr. Hamer and staff, engaged in a discussion with respect to what forms of performance measurement are being conducted by other municipalities. In response to Councillor Starr, Gary Kent, Commissioner of Corporate Services and CFO spoke about the maturity assessment being used as a baseline and noted the best benchmark the City has is against ourselves. Ms. Baker added, we want to demonstrate that we are doing the right thing with our resources and develop a system which will allow management and Council to make data based and cost effective decisions. Kevin Travers, Partner, External Auditor, KPMG, noted the findings were all positive and the end result is being able to make informed decisions.

RECOMMENDATION

AC-0004-2018

That the deputation by Anthony Hamer, Partner and Mike Varey, Partner, KPMG Canada with respect to the Proposed Performance Measures System be received.

Received (Councillor Cook)

5.2. Item 7.2. Jeff Jackson, Director, Finance with respect to the 2017 Audited Financial Statements.

Jeff Jackson, Director of Finance and Treasurer, presented the 2017 Financial Statements which demonstrate the progress made by the City in relation to what was approved in the annual budget.

Mr. Jackson spoke about the differences between the budget book and financial statements; the 4 main areas of the statement of financial position; the statement of operations and the financial assets, noting the average yield of investment in 2017 was 3.54%. Mr. Jackson spoke to the increase in receivables in 2017, noting it was due to a significant number of ARB decisions accounting for approximately \$20 million and secondly, \$42 million in recovery is expected through the PTIF program.

Mr. Jackson discussed the \$202 million gain in our investment in Enersource Hydro Mississauga following the merger with Alectra Utilities. Mr. Jackson spoke about the increase in accounts payable due to an increase in WSIB, vacation pay, sick leave and long term disability (LTD) increases which are mainly due to changes in Fire regulations.

Despite long-term debt, our credit rating continues to be AAA. Mr. Jackson provided a summary of the non-financial assets; amortization; accumulated surplus (equity); reserve and reserve funds; revenues and noted the largest of our fees is in transit fares; expenses.

In response to Mayor Crombie, Mr. Jackson confirmed the \$42 million on the PTIF was in the 2017 receivables which is expected to come in this summer. Gary Kent, Commissioner of Corporate Services and CFO spoke about the PTIF program, noting it is administered through the Federal Government and was supposed to be completed by March 2018. In response to Mayor Crombie, Mr. Jackson advised the City is in a comfortable position with reserve funds and noted 2017 was a good year for Development Charges. In response to Mayor Crombie, Mr. Jackson confirmed the City could go as high as 25% in debt and is currently at approximately 3.5%.

In response to Councillor Ras, Mr. Jackson spoke about the difficulties in forecasting employee benefits and Omers. In response to Councillor Starr, Mr. Jackson noted we

are in the very early days of the storm water charge program making it too early to predict the impacts on future years.

RECOMMENDATION

AC-0005-2018

That the deputation by Jeff Jackson, Director, Finance with respect to the 2017 Audited Financial Statements be received.

Received (Councillor Ras)

6. PUBLIC QUESTION PERIOD - 15 Minute Limit (5 Minutes per Speaker) - Nil

Pursuant to Section 42 of the Council Procedure By-law 0139-2013, as amended:
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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 CONSIDERED

7.1. Report dated April 16, 2018 from the Commissioner of Corporate Services and Chief Financial Officer re: Proposed Performance Measures Program.

RECOMMENDATION

AC-0006-2018

That the report titled "Proposed Performance Measures Program" dated April 16, 2018 from the Commissioner of Corporate Services and Chief Financial Officer be received for information.

Recorded Vote	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie	X			
Councillor D. Cook	X			
Councillor K. Ras	X			
Councillor R. Starr	X			
Councillor M. Mahoney	X			

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

- 7.2. Report dated March 29, 2018 from the Commissioner of Corporate Services and Chief Financial Officer re: 2017 Audited Financial Statements.

RECOMMENDATION

AC-0007-2018

That the 2017 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 as information.

Recorded Vote	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie	X			
Councillor D. Cook	X			
Councillor K. Ras	X			
Councillor R. Starr	X			
Councillor M. Mahoney	X			

Received (Councillor Ras) (5, 0, 0)

- 7.3. Report dated April 19, 2018 from the Commissioner of Corporate Services and Chief Financial Officer re: 2017 External Audit Findings Report.

Kevin Travers, Partner, External Auditor, KPMG, highlighted the most important areas of the audit, stating there were no areas of improvement or control weaknesses noted. Mr. Travers noted they have been able to make increased use of technology during the course of the audit which includes electronic sharing of information. Mr. Travers noted the Enersource transaction is highlighted as a significant area of focus.

Gary Kent, Commissioner of Corporate Services and CFO thanked Jeff Jackson and his team for their work on the 2017 Financial Statements and the support received through KPMG.

RECOMMENDATION

AC-0008-2018

That the 2017 External Audit Findings Report dated April 19, 2018 from the Commissioner of Corporate Services and Chief Financial Officer, which includes the

Audit Findings Report from KPMG for the fiscal year 2017 for the City of Mississauga (City), be received for information.

Recorded Vote	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie				
Councillor D. Cook				
Councillor K. Ras				
Councillor R. Starr				
Councillor M. Mahoney				

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

- 7.4. Report dated April 23, 2018 from the Director of Internal Audit re: Final Audit Reports: 1. Corporate Services Department, Finance Division, Investments Section □ 2017 Investment Audit; and, 2. Corporate Services Department, Facilities and Property Management Division □ Capital Projects Contracts Audit.

Al Steinbach, Director of Internal Audit introduced Vandana Waghela as a new Auditor.

Mr. Steinbach spoke about the first Audit report noting it is an annual report about controls and investments of the City and further, that all objectives have been met.

Thomas Kelly, Internal Auditor gave a presentation about F&PM Capital Projects Audit. Mr. Kelly noted this is the third audit performed since 2015, on Capital Projects and is overall a good news audit. Mr. Kelly noted recoveries were all accurately captured with one exception. F&PM has one of the better procedure manuals across the corporation.

The audit resulted in three (3) recommendations that address concerns with Compliance with and Clarification of Corporate Requirements. Management has agreed with the recommendations and all three (3) will be completed by September 30, 2018.

Members of the Committee discussed their satisfaction with the audit findings and thanked staff for their work.

RECOMMENDATION

AC-0009-2018

That the report dated April 23, 2018 from the Director of Internal Audit with respect to final audit reports:

1. Corporate Services Department, Finance Division, Investments Section □ 2017 Investment Audit, and,
2. Corporate Services Department, Facilities and Property Management Division □ Capital Projects Contracts Audit be received for information.

Recorded Vote	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie	X			
Councillor D. Cook	X			
Councillor K. Ras	X			
Councillor R. Starr	X			
Councillor M. Mahoney	X			

Received (Mayor Crombie) (5, 0, 0)

7.5. Report dated April 23, 2018 from the Director of Internal Audit re: Status of Recommendations from the External Quality Assurance Review of the Internal Audit Function.

Al Steinbach, Director of Internal Audit, spoke about the status of the recommendations from the External Quality Assurance Review, noting we are on track and 4 other recommendations will be completed this year.

RECOMMENDATION

AC-0010-2018

That the report dated April 23, 2018 from the Director, Internal Audit with respect to the Status of Recommendations from the External Quality Assurance Review of the Internal Audit Function be received for information.

Recorded Vote	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie	X			
Councillor D. Cook	X			
Councillor K. Ras	X			
Councillor R. Starr	X			
Councillor M. Mahoney	X			

Received (Councillor Cook) (5, 0, 0)

7.6. Report dated April 18, 2018 from the City Manager and Chief Administrative Officer re: Status of Outstanding Audit Recommendations as of March 31, 2018.

In response to Councillor Ras, Tara Zammit spoke to the Animal Services E - 3 review, noting the recommendations in the 2015 audit were looking at notice of contravention and how the licenses were being sold. Ms. Zammit spoke to the recommendation to monitor their inventory noting it is not something that will be done in the future, rather a requirement that has been implemented, a monitoring of the inventory. The inventory is

now controlled. Councillor Ras requested Ms. Zammit provide her with a copy of the previous audit.

RECOMMENDATION

AC-0011-2018

That the report dated April 18, 2018 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of March 31, 2018 be received for information.

Recorded Vote	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie				
Councillor D. Cook				
Councillor K. Ras				
Councillor R. Starr				
Councillor M. Mahoney				

Received (Councillor Ras) (5, 0, 0)

8. ENQUIRIES ☐ Nil
9. CLOSED SESSION ☐ Nil
10. ADJOURNMENT - 10:16 A.M (Councillor Cook)

City of Mississauga

Corporate Report



Date: 2018/09/19

To: Chair and Members of Audit Committee

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

Originator's files:

Meeting date:
2018/11/12

Subject

2018 Audit Plan

Recommendation

That the report dated October 23, 2018 from the Commissioner of Corporate Services and Chief Financial Officer with respect to the 2018 Audit Planning Report (Appendix 1), be received for information.

Report Highlights

- The Engagement Letter for the contract period 2015 to 2019 was executed on November 16, 2015 and does not need to be renewed for each year of the contract
- Engagement Letter sets out the responsibilities of the Audit Committee, management, city staff and KPMG for the new contract term
- The Audit Planning Report establishes the audit approach for the City's 2018 external audit
- The Audit Planning Report is designed to inform the Audit Committee and management of the audit procedures to be performed by KPMG in discharging its audit responsibilities

Background

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

KPMG LLP, Chartered Accountants (KPMG), is currently serving the City in the fourth year (2018) 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.

Audit Committee	2018/10/24	2
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Engagement Letter

The Engagement Letter for the contract period 2015 to 2019 was executed last year on November 16, 2015 and does not need to be renewed for each year of the contract. The engagement letter sets out the responsibilities of the Audit Committee, management, city staff and KPMG. It also includes the objectives, scope and limitations of the external audit. Communication matters are discussed as well.

The engagement letter establishes the following:

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

Comments

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 2018 audit.

Financial Impact

There are no financial impacts resulting from the recommendations in this report.

The fees being paid to KPMG for the 2018 audit for the City, the Library Board, and the four Business Improvement Areas (BIA's) are \$129,250 before taxes. The audit fees for the four Business Improvement Areas (Streetsville, Port Credit, Clarkson, and Malton) will be billed directly to the BIA's by KPMG.

In addition to the audited consolidated financial statements, KPMG may provide special purpose audits that are not included in the City's audit fees.

These special purpose audits and reports are required for various Federal and Provincial Government funding initiatives.

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

Conclusion

Finance staff supports the recommendations, approach, and schedule outlined in the 2018 Audit Planning Report.

The audit objectives described in the 2018 Audit Planning Report have been set and will be applied for the upcoming annual audit.

Attachments

Appendix 1: 2018 City of Mississauga 2018 APR draft



Gary Kent, CPA, CGA, Commissioner of Corporate Services and Chief Financial Officer

Prepared by: Mark Beuparlant, Manager, Financial & Treasury Services



The Corporation of the City of Mississauga

Audit Planning Report

For the year ending December 31, 2018

KPMG LLP

October 18, 2018

kpmg.ca/audit



The contacts at KPMG in connection with this report are:

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Lead Audit Engagement Partner
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Shelyane Li
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. These include:

- Implications of new PSAS standards
- Group audit considerations involving a number of components to the City's consolidated financial statements

We will discuss these risks with you during the upcoming meeting.

See pages 4 to 7 and Appendix 7.

KPMG team

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

See page 12.

Effective communication

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

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 \$29 million for the year ending December 31, 2018 (2017 - \$21.7 million).

See page 9.

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 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 City's organizational structure, including its components and their environments that is sufficient to identify those components that are financially significant or that contain specific risks that must be addressed during our audit.

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

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

Components	Why	Our audit approach
Enersource Corporation ("Enersource")	Enersource is individually financially significant to the City's consolidated financial statements	The component auditors, KPMG LLP from the Toronto North Office, will be providing a statutory audit opinion on the fiscal year 2018 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 Municipal Act.	The group audit engagement team, KPMG LLP from the Toronto North Office, will be providing statutory audit opinions on these respective fiscal year 2018 financial statements.

Audit approach

Professional standards presume the risk of fraudulent revenue recognition and the risk of management override of controls exist in all entities. 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 cut-off.</p>	<p>Our audit methodology incorporates the required procedures in professional standards to address this risk.</p> <p>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. See further details on page 8.</p> <p>As part of our audit approach to address the inherent risk of error in revenue recognition, we substantively test revenues (both recognized and amounts held as deferred at year end) and recalculate management's determination 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>

Other 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 the City's 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 relevant data provided to the actuaries, as applicable — Perform trend analysis — Review assumptions used — Review disclosures
Deferred revenue – obligatory reserve funds	<ul style="list-style-type: none"> — Update our understanding of activities over the initiation, authorization, processing, recording and reporting — Review the City-prepared calculation of deferred revenue with the responsible individuals
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

Other areas of focus	Our audit approach
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 testing 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 BIAs. — 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 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.

Data & analytics in the audit

We will be integrating Data & Analytics (D&A) procedures into our planned audit approach. Use of innovative D&A allows us to analyze greater quantities of data, dig deeper and deliver more value from our audit.

We believe that D&A will improve both the quality and effectiveness of our audit by allowing us to analyze large volumes of financial information quickly, enhancing our understanding of your business as well as enabling us to design procedures that better target risks.

Area of focus	Planned D&A routines
Journal entry testing	— Utilize computer-assisted audit techniques (CAATs) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing

Detailed results and summary insights gained from D&A will be shared with management and presented in our Audit Findings Report.

Materiality

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.

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

Materiality determination	Comments	Amount
Metrics	Relevant metrics for public sector organizations include total revenue or expenses, and net assets.	
Benchmark	Based on total revenue, using prior year actuals as an estimate. This benchmark is consistent with the prior year.	\$1.16 billion
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 prior year's audit was \$21.7M.	\$29 million
% of Benchmark	The corresponding percentage for the prior year's audit was 2.5%.	2.5%
Performance Materiality	Used primarily to determine the nature, timing and extent of audit procedures. The corresponding amount for the prior year's audit was \$13.0M.	\$17.4 million
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the prior year's audit was \$867K.	\$1.16 million
Significant Component: Enersource Corporation	Materiality for the audit of Enersource Corporation. The corresponding amount for the prior year's audit was \$14 million.	\$14 million

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.

New Auditor Reporting

What's new and effective for 2018?

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
Separate section on "Material Uncertainty Related to Going Concern", if applicable	Listed and non-listed entities
Separate section on "Other Information" (e.g. MD&A)	Listed and non-listed entities
Disclosure of name of the engagement partner	Listed entities

Key audit matter reporting today

Key audit matters (KAMs) are those matters that, in the auditors' professional judgment, were of most significance in the audit. Currently, the reporting of KAMs in the auditors' report is only applicable when required by law or regulation or when the auditor is engaged to do so.



Key audit matter reporting in the future

The Public Company Accounting Oversight Board (PCAOB) adopted their enhanced auditor reporting standards which includes, among other requirements, discussion of critical audit matters (CAMs) (similar to KAMs) within the auditors' report. As a result of the U.S. developments, the Accounting and Assurance Standards Board in Canada is deliberating how and when the disclosure of KAMs will be required for listed entities in Canada. It is expected KAM reporting for certain listed entities in Canada will be required starting in 2020.

How we deliver audit quality



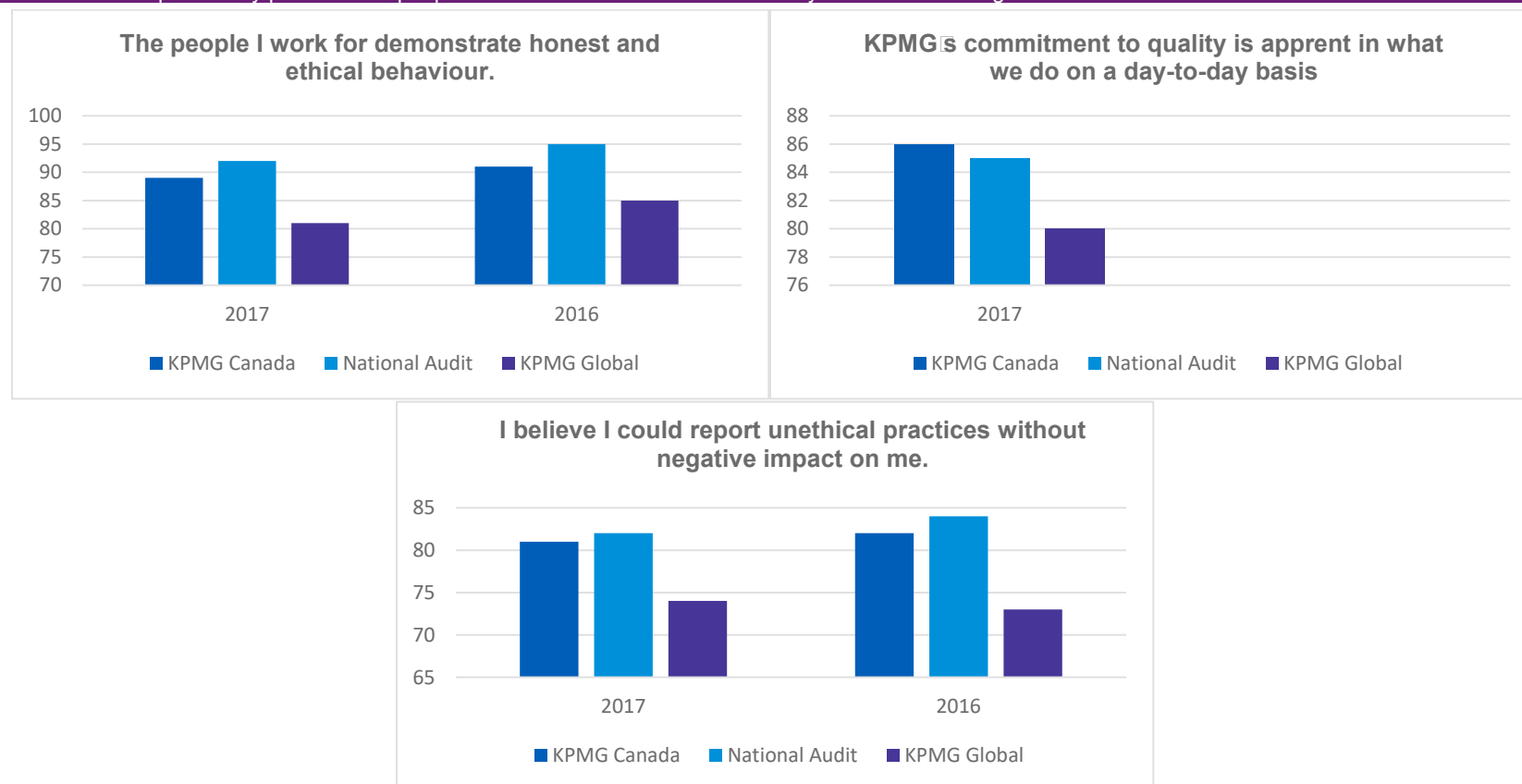
Team contacts

Team member	Contact	Background / experience	Discussion of role
	Kevin Travers Lead Audit Engagement Partner ktravers@kpmg.ca (416) 228-7004	<p>Kevin has been the lead audit engagement partner for the City of Mississauga for 12 years and in addition to the City, he leads 4 other municipal audits.</p> <p>He is considered an authority on municipal financial reporting within Canada having authored and delivered many presentations, seminars, and webinars on financial reporting developments and is also a reviewer for the Canadian Financial Reporting Award as administered by the Government Finance Officers' Association.</p>	<ul style="list-style-type: none"> — Kevin will lead our audit for the City of Mississauga and be responsible for the quality and timeliness of everything we do. — He will frequently be onsite with the team and will always be available and accessible to you.
	Shelyane Li Audit Senior Manager shelyaneli@kpmg.ca (416) 224-4113	<p>Although Shelyane is a new member of the City of Mississauga's audit team, she has managed and led the audits of a number of municipalities over her 12 year career with KPMG.</p> <p>She specializes in our not-for-profit practice and services a broad range of clients, including public sector, charities, and other not-for-profit organizations. She has in-depth knowledge of municipal audit requirements and public sector financial reporting.</p>	<ul style="list-style-type: none"> — Shelyane will work very closely with Kevin on all aspects of our audit for the City. — She will be on site and directly oversee and manage our audit field team and work closely with your management team.

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.



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.

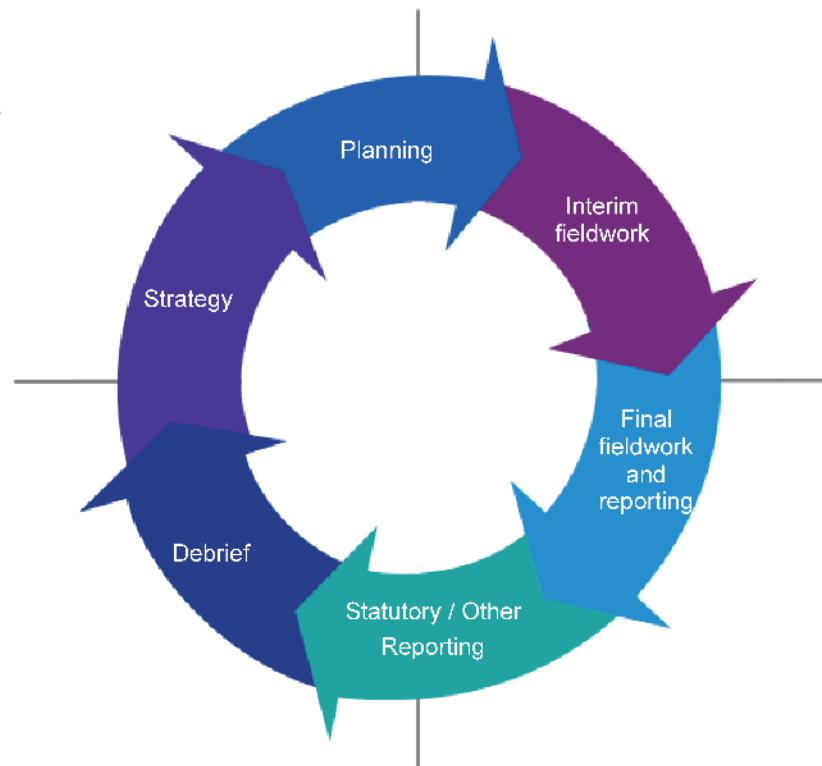
- Extensive industry experience on our audit team – the senior members of our team have extensive experience in audits of local governments. This experience ensures that we are well positioned to identify and discuss observations and insights that are important to you; Kevin Travers is not only the lead 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.

Audit cycle and timetable

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

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

Our timeline is in line with the prior year:



Appendices

Appendix 1: Audit quality and risk management

Appendix 2: KPMG's audit approach and methodology

Appendix 3: Required communications

Appendix 4: Lean in Audit™

Appendix 5: Audit trends

Appendix 6: KPMG's Cyber Security Protocol

Appendix 7: Current developments

Appendix 1: Audit quality and risk management

Audit Quality Resources



Appendix 2: KPMG's audit approach and methodology

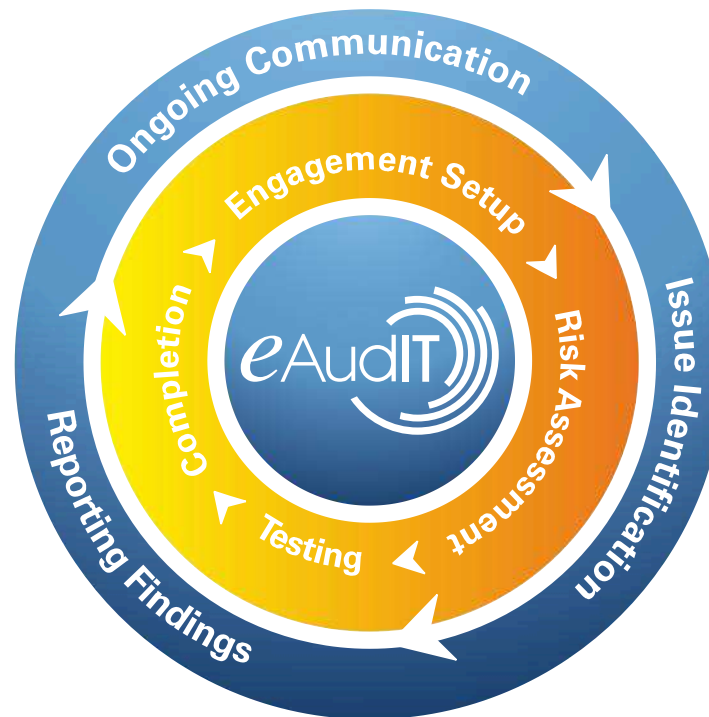
Technology-enabled audit workflow (eAudit)

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 and upon completion 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 and any subsequent amendment letters, available from management.
- **Audit planning report** – as attached
- **Required inquiries** – professional standards require that during the planning of our audit we obtain your views on risk of fraud and other matters. We make similar inquiries to management as part of our planning process; responses to these will assist us in planning our overall audit strategy and audit approach accordingly
 - 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?
- **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: Lean in Audit™

An innovative approach leading to enhanced value and quality

How it works

1. Lean training

- Provide basic Lean training and equip our teams with a new Lean mind-set to improve quality, value and productivity.

2. Interactive workshops

- Perform interactive workshops to conduct walkthroughs of selected financial processes providing end to end transparency and understanding of process and control quality and effectiveness.

3. Insight reporting

- Quick and pragmatic insight report including your team's immediate quick win actions and prioritized opportunities to realize benefit.

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](#)) as well as [thought leadership](#) and insights 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	Links
Audit Trends	With a range of provocative data, insight and opinion gleaned from KPMG professionals and The Conference Board of Canada survey of Audit Committees and CFOs, Audit Trends examines seven key issues addressing corporate readiness, preparedness and priority in a volatile business environment.	Link to report
The Blockchain shift will be seismic	Blockchain technology is a focused disruptor of the very foundations of external and internal audit: financial recordkeeping and reporting. This Audit Point of View article offers insight on how blockchain technology is impacting business and what audit committees should be thinking about to prepare for certain risks.	Link to article

Appendix 6: KPMG's Cyber Security Protocol

This summary is intended to provide management and Audit Committee members with some insight into KPMG's strategies and procedures regarding our cyber defence.

KPMG Global

KPMG Global provides managed security services for member firms which includes 24x7 monitoring and alerting services to identify potential attacks on our environment. We use a series of centrally managed firewalls among our network of member firms to identify and address potential attacks to member firms and to prevent attacks from spreading between member firms. This approach was in place during the Wanna Cry outbreak and was a critical element in our successful defence against that incident.

KPMG Global has also implemented enhanced email protection to address malware and attacks through email and we have implemented automated vulnerability detection services. This service scans equipment that is exposed to the Internet and identifies known vulnerabilities on a real-time basis. "Good housekeeping" is a central tenet of our approach and we continue to focus on known vulnerabilities and patching.

KPMG Global believes the cloud represents a secure environment when appropriately configured and monitored as a platform to deliver services. Our approach to secure the cloud includes deploying full-time, dedicated security and privacy resources, integrating the cloud platform into our managed security services to promote "good housekeeping," and deploying a continuous monitoring plan for each of the cloud platforms that we deploy to member firms and to our clients.

KPMG Global has invested heavily in enhancing the security of our environment, evidenced by the introduction of our Global Security Operations Centre, managed services and other enhancements to our cyber defence.

KPMG Canada Approach

- KPMG Canada does not currently use Office 365 or Cloud based email.
- Cloud environments provide robust security when properly configured, with proper password management.
- The Canadian firm's email servers are hosted in Canada and controlled and managed by KPMG Canada.
- In compliance with our global security controls, we enforce strong passwords that need to be renewed at regular intervals.
- We also maintain a specific IT security platform for the maintenance and management of privileged accounts.
- KPMG's Information Security Program is built on a comprehensive framework of policies, standards, and processes based on ISO 27001:2013.
- KPMG's security requirements are set out in Global Information Security Policies and Standards (GISP).
- The Canadian firm undergoes an internal audit every year to ensure compliance to key security controls in the GISP.
- Every three years, the Canadian firm goes through a Compliance Review conducted by a team from non-Canadian member firms.

Appendix 7: Current developments

Please visit the Audit Committee Institute / [Current Developments](#) page for current developments in IFRS, Canadian securities matters, Canadian auditing other professional standards and US accounting, auditing and regulatory matters.

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

Standard	Summary and implications
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> <p>This standard is not expected to materially impact the City's 2018 consolidated financial statements.</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> <p>This standard is not expected to materially impact the City's 2018 consolidated financial statements.</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> <p>This standard is not expected to materially impact the City's 2018 consolidated financial statements.</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, 2018 year end).</p> <p>This standard is not expected to materially impact the City's 2018 consolidated financial statements.</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 at 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. • 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> <p>This standard is not expected to materially impact the City's 2018 consolidated financial statements.</p>

PS 3450 Financial Instruments	<p>A standard has been issued establishing standards 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, 2021 (the City's December 31, 2022 year end). The effective date was extended from April 1, 2019.</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>
PS 3280 Asset Retirement Obligations	<p>A standard has been issued establishing standards on how to account for and report a liability for asset retirement obligations.</p> <p>The standard will require the City to record a liability when a legal obligation associated with the retirement of a tangible capital asset exists. The costs associated with the asset retirement increase the carrying amount of the related tangible capital asset and would be expensed in a rational and systematic manner.</p> <p>The standard is effective for fiscal periods beginning on or after April 1, 2021 (the City's December 31, 2022 year-end). Earlier adoption is permitted.</p>
PS 3400 Revenue	<p>A standard has been issued establishing standards which delineates revenue as either exchange transactions or unilateral transactions and the appropriate revenue recognition timing under each type.</p> <p>Exchange transactions are present where the transaction gives rise to one or more performance obligations on the part of the recipient. If no performance obligations are present, it would be described as unilateral.</p> <p>The standard is effective for fiscal periods beginning on or after April 1, 2022 (the City's December 31, 2023 year-end). Earlier adoption is permitted.</p>

kpmg.ca/audit



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KPMG member firms around the world have 174,000 professionals, in 155 countries.

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

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City of Mississauga

Corporate Report



Date: 2018/10/31

To: Chair and Members of Audit Committee

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

Originator's files:

Meeting date:
2018/11/12

Subject

Final Audit Reports:

1. **Community Services Department, Parks and Forestry Division – Forestry Current Contracts Audit**
2. **Community Services Department, Recreation Division – CLASS Memberships and Registrations Audit**
3. **Corporate Services Department, Revenue and Materiel Management Division, Material Management – Single, Sole Source and Emergency Acquisition Audit**
4. **Corporate Services Department, Revenue and Materiel Management Division – Office Supplies Contract Audit**

Recommendation

That the report dated October 31, 2018 from the Director of Internal Audit with respect to final audit reports:

1. Community Services Department, Parks and Forestry Division – Forestry Current Contracts Audit;
2. Community Services Department, Recreation Division – CLASS Memberships and Registrations Audit;
3. Corporate Services Department, Revenue and Materiel Management Division, Material Management – Single, Sole Source and Emergency Acquisition Audit; and,
4. Corporate Services Department, Revenue and Materiel Management Division – Office Supplies Contract 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 four audits, being:

Audit Committee	2018/10/31	2
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Originators files:

1. Community Services Department, Parks and Forestry Division – Forestry Current Contracts Audit;
2. Community Services Department, Recreation Division – CLASS Memberships and Registrations Audit;
3. Corporate Services Department, Revenue and Materiel Management Division, Material Management – Single, Sole Source and Emergency Acquisition Audit; and,
4. Corporate Services Department, Revenue and Materiel Management Division – Office Supplies Contract Audit.

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

Financial Impact

There are no financial impacts resulting from the Recommendation in this report.

Conclusion

The final reports for Community Services Department, Parks and Forestry Division – Forestry Current Contracts Audit; Community Services Department, Recreation Division – CLASS Memberships and Registrations Audit; Corporate Services Department, Revenue and Materiel Management Division, Material Management – Single, Sole Source and Emergency Acquisition Audit; and Corporate Services Department, Revenue and Materiel Management Division – Office Supplies Contract Audit are now complete and are submitted for consideration by the Audit Committee.

Attachments

- Appendix 1: Community Services Department, Parks and Forestry Division - Forestry Current Contracts Audit
- Appendix 2: Community Services Department, Recreation Division - CLASS Memberships and Registrations Audit
- Appendix 3: Corporate Services Department, Revenue and Materiel Management Division, Materiel Management - Single, Sole Source and Emergency Acquisition Audit
- Appendix 4: Corporate Services Department, Revenue and Materiel Management Division – Office Supplies Contract Audit



Audit Committee	2018/10/31	3
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Originators files:

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

Prepared by: Karen Hobbs, Administrative Coordinator

City of Mississauga
Corporate Report



Date: 2018/10/15

To: Chair and Members of Audit Committee

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

Originator's files:

Meeting date:
 2018/11/12

Subject

2018 Internal Audit Work Plan Status Report

Recommendation

That the report dated October 15, 2018 from the Director, Internal Audit, with respect to the status of the 2018 Internal Audit Work Plan be received for information.

Report Highlights

- A number of projects on the approved 2018 Internal Audit Work Plan have been completed and several are well underway. The remaining projects will commence by year-end as planned.
- To date, 18% of available audit staff time has been spent on special assignments and consulting services, including special requests from management and ongoing involvement in the review and investigation of complaints received through the Whistleblower Program where appropriate. In comparison, 27% of available audit staff time was spent on similar assignments for the year 2017.
- 7% of the available audit staff time has been spent on training and professional development for staff in an effort to maintain an audit team with versatile skills and to network with auditors and staff from other municipalities.

Background

The Internal Audit Charter (By-law 0065-2013) charges the Director, Internal Audit with the responsibility to develop and submit an annual audit work plan to the Audit Committee for review and approval and to provide periodic updates to the Committee on the status of the work plan.

The 2018 to 2020 Internal Audit Work Plan was approved by the Audit Committee on March 5, 2018. This report provides the status of the audits noted for 2018 and lists the special

Audit Committee	2018/10/15	2
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Originators files:

assignments, consultative projects and other initiatives which Internal Audit has undertaken during the period of January 1 to September 30, 2018.

Comments

The 2018 Internal Audit Work Plan is being executed as anticipated. Appendix 1 to this report details the status of each project as of September 30, 2018.

Assurance Projects (Audits)

Of the 10 audits approved by the Audit Committee on March 5, 2018 and listed in Appendix 1:

- Six (6) have been completed;
- Field work for three (3) audits, i.e. Street Lighting Program Audit, Library Acquisitions Audit and Non-Union Payroll Audit, is being completed and is planned to be reported at the March 4, 2019 Audit Committee meeting;
- Planning for the 2018 Investments Audit and Traffic Signal Program Audit is expected to begin before year-end;
- The 2019 Corporate Payroll Audit for Temporary Employees has been included in the scope of the 2018 Non-Union Payroll Audit, with the IT Hardware Audit rescheduled for 2019;
- The Library Acquisitions Audit scheduled for 2019 has been initiated in 2018 and the Cashiers Operations Audit has been rescheduled for 2019.

Consultative Services and Special Assignments

As of September 30, 2018, 18% of available audit staff time has been spent on special assignments, including special requests from management, consultative assignments, review of complaints received through the Whistleblower Program and conducting investigations as required. In comparison, 27% of available audit staff time was spent on similar assignments in 2017.

Other consultative services include time spent following up on outstanding audit recommendations, reviewing corporate policies and procedures, and consulting on working groups and advisory committees for new City initiatives and business processes. Furthermore, to maintain a versatile skillset, staff are encouraged to keep up to date on industry best practices, and emerging trends which may affect the City such as developments in Information Technology.

Financial Impact

There are no financial impacts resulting from the Recommendation in this report.

Audit Committee

2018/10/15

3

Originators files:

Conclusion

Status of the 2018 projects included in the Internal Audit Work Plan is summarized in Appendix 1 to this report. The Work Plan is being executed as anticipated.

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

Attachments

Appendix 1: 2018 Internal Audit Work Plan Status Report as of September 30, 2018



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

Prepared by: Al Steinbach, Director, Internal Audit

2018 Internal Audit Work Plan Status Report As of September 30, 2018

Page 1 of 3

A. AUDITS

Service Area	Audit	Status	Comments
Roads, Storm Drainage and Watercourses	Street Lighting Program	In Progress	Report is planned for the March 2019 Audit Committee meeting.
	Traffic Signal Program	In planning phase	
Parks & Forestry	Urban Forestry Current Contracts	Completed	Report will be presented at the November Audit Committee meeting.
Recreation	CLASS <input type="checkbox"/> Memberships and Registrations	Completed	Report will be presented at the November Audit Committee meeting.
Library	Library Acquisitions	In progress	Audit work is being completed and the report is planned for the March 2019 Audit Committee meeting.
Finance	Investments	Completed	Report was presented at the May Audit Committee Meeting for the 2017 audit. 2018 audit testing will begin shortly. Report on the 2018 Investments Audit will be presented at the May 2019 Audit Committee meeting.
	Cashiers Operations	Rescheduled for 2019	Due to competing priorities this audit has been rescheduled to 2019.
	Non-union Payroll (includes full time, part time and temporary staff)	In progress	Audit work is being completed and the report is planned for the March 2019 Audit Committee meeting.
Revenue and Materiel Management	Single/Sole Source and Emergency Acquisitions	Completed	Report will be presented at the November Audit Committee meeting.
	Office Supplies Contract	Completed	Report will be presented at the November Audit Committee meeting.

2018 Internal Audit Work Plan Status Report As of September 30, 2018

Page 2 of 3

Service Area	Audit	Status	Comments
Information Technology	IT Hardware	Rescheduled for 2019	Due to competing priorities this audit has been rescheduled to 2019.
Facilities and Property Management	Capital Project Contracts	Completed	Report presented at the May 2018 Audit Committee meeting.

B. OTHER PROJECTS

PROJECT	STATUS	COMMENTS
Special Assignment: Corporate Services - Finance	Ongoing	Internal Audit was requested by Management to conduct a special assignment in Corporate Services □ Finance. The assignment has been completed.
Audit Recommendations Follow-Up	Completed for May Completed for November	Follow-up of outstanding audit recommendations is done twice a year to ensure that audit recommendations have been implemented and/or the issues identified in previous audits have been resolved. The first follow-up was completed and presented at the May Audit Committee meeting. Results of the second follow-up will be presented at the November Audit Committee meeting.
External Quality Assurance	Completed	As part of the Institute of Internal Auditors' quality assurance standards, Internal Audit completed a self-assessment with independent validation review. Results of the review were presented at the March 2018 Audit Committee meeting.
Whistleblower Program	Ongoing	Internal Audit has ongoing involvement in the review of complaints received and investigation where appropriate.
Ongoing consultation as requested by Management	Ongoing	These are consulting services aimed at providing management with proactive advice to enhance controls and mitigate risks and to improve City operations. Some of the requests completed to date or in progress include: <ul style="list-style-type: none"> SAP Concur expense management project

**2018 Internal Audit Work Plan Status Report
 As of September 30, 2018**

PROJECT	STATUS	COMMENTS
		<ul style="list-style-type: none"> • Emergency Management Office • E-Signatures • Electronic Records Management • New and amended City By-laws and Corporate Policies and Procedures • Changes to or new business processes
Professional Development	Ongoing	<p>Professional development opportunities are provided to Audit Staff through seminars, workshops, webinars and materials acquired for the Internal Audit Library.</p> <p>Internal Audit staff have attended courses offered by the Project Management Support Office, Concur training, etc. Audit staff have also participated in a one-day workshop of the Municipal Internal Auditors' Association (MIAA) in the Spring and the Association's Fall Workshop to network with internal auditors from various municipalities.</p>

City of Mississauga

Corporate Report



Date: 2018/10/30

To: Chair and Members of Audit Committee

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

Originator's files:

Meeting date:
2018/11/12

Subject

Status of Outstanding Audit Recommendations as of September 30, 2018

Recommendation

That the report dated October 30, 2018 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of September 30, 2018 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, 2018.

Comments

A summary of recommendations which were outstanding as of March 31, 2018 (the effective date of the previous status report to the Audit Committee) and new recommendations which were scheduled for completion from April 1, 2018 to September 30, 2018 is attached as Appendix 1.

Ten (10) of the thirty-seven (37) recommendations which were previously outstanding have since been completed and implementation of these recommendations has been verified by Internal Audit. Detailed comments and status for the seven (7) recommendations that have been outstanding for an extended period are attached in Appendix 2. Of the seven (7) recommendations, two (2) entail documentation of business processes. The remainder of the outstanding recommendations, five (5), involve review and updating of business processes which are in progress.

Seven (7) new recommendations that were due between April 1, 2018 and September 30, 2018 were added to the list. Two (2) have been completed and implementation of these

Audit Committee	2018/10/30	2
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Originators files:

recommendations has been verified by Internal Audit. The remaining thirty-one (31) recommendations are in various stages of implementation. In addition, one (1) recommendation due after September 30, 2018 has been completed ahead of the scheduled due date.

Financial Impact

There are no financial impacts resulting from the Recommendation in this report.

Conclusion

In summary, forty-four (44) recommendations were scheduled for implementation prior to September 30, 2018 (effective date of this report). Ten (10) of the recommendations that were outstanding from the previous status report and three (3) with due dates between April 1, 2018 and September 30, 2018 were completed. An additional one (1) recommendation with a due date after September 30, 2018 was completed ahead of schedule. Work continues with implementation of the thirty-one (31) recommendations that were outstanding as at September 30, 2018 and will be closely monitored to ensure timely implementation.

Attachments

- Appendix 1: Status of Outstanding Audit Recommendations as at September 30, 2018
- Appendix 2: Status of Audit Recommendations Outstanding as at April 1, 2018 and Still in Progress as of September 30, 2018



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, 2018**

(1) Audit	(2) Date Issued (MM/YY)	(3) Outstanding March 31, 2018 *	(4) New **	(5) Implemented/ Resolved	(6) In Progress September 30, 2018	(7) Due After September 30, 2018 and completed ***
Mississauga Transit Union Payroll	08/14	1	0	0	1	0
F&PM Current Maintenance Contracts	10/15	2	0	0	2	0
Rental and Lease Agreements	10/15	1	0	0	1	0
Mississauga Sport Zone Cash Handling	01/16	1	0	0	1	0
POA Revenue and Cash Handling	08/16	3	0	1	2	0
Meadowvale Theatre	11/16	1	0	1	0	0
F&PM Capital Maintenance Contracts	02/17	2	0	0	2	0
MFES Building and Fleet Maintenance	04/17	7	0	4	3	0
CLASS Facilities Rental	08/17	5	1	0	6	0
Works Operations Payroll	08/17	3	1	0	4	0
MiWay Transit Maintenance	11/17	9	2	7	4	1
Food Services	11/17	2	3	0	5	0
TOTAL		37	7	13	31	1

* This column includes recommendations which were originally scheduled for implementation on or prior to March 31, 2018 (effective date of the previous status report to Audit Committee).

** This column includes recommendations which were originally scheduled for implementation between April 1, 2018 and September 30, 2018 (effective date of the current status report to Audit Committee).

*** This column indicates recommendations which were originally scheduled to be implemented after September 30, 2018 but have already been completed.

STATUS OF AUDIT RECOMMENDATIONS
OUTSTANDING AS OF MARCH 31, 2018 AND
STILL IN PROGRESS AS OF SEPTEMBER 30, 2018

Page 1 of 1

Audit	No. of Recommendations	Comments/Status
Business Process Documentation		
2016 POA Revenue and Cash Handling	2	Completion of the recommendations has been delayed. The manager in the business area is new and is working on the recommendations. These recommendations are expected to be completed by December 31, 2018.
Review and Update of Business Processes		
2014 Mississauga Transit Payroll	1	Hastus application is expected to be implemented by December 31, 2018. The new Manager is reviewing current process and then a procedures manual will be developed.
2015 F&PM Current Maintenance Contracts	2	Based on requirements, IT anticipates the project will be completed end of fourth quarter 2018.
2015 Rental and Lease Agreements	1	Working with an Agreement Abstract to clearly define roles and responsibilities regarding the agreements. Staff continue to work towards completion. Expected to be completed by end of 2018.
2016 Mississauga Sport Zone Cash Handling	1	In process. Finalizing policy. Expected to be completed by end of 2018.
Total	7	