City of Mississauga
Agenda

Audit Committee

Date
2019/12/02

Time
9:00 AM

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

Members

Mayor Bonnie Crombie	
Councillor Stephen Dasko	Ward 1
Councillor Karen Ras	Ward 2
Councillor Ron Starr **(Chair)**	Ward 6
Councillor Dipika Damerla	Ward 7

Contact
Allyson D'Ovidio, Legislative Coordinator, Legislative Services
905-615-3200 ext. 8587
allyson.dovidio@mississauga.ca

Find it Online

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

AGENDA INDEX

1. CALL TO ORDER

2. APPROVAL OF AGENDA

3. DECLARATION OF CONFLICT OF INTEREST

4. MINUTES OF PREVIOUS MEETING

4.1. Audit Committee Draft Minutes – September 23, 2019

5. DEPUTATIONS

5.1. Kevin Travers, Partner, KPMG LLP regarding the 2019 Audit Planning Report

5.2. Scott Anderson, Manager Street Lighting & Projects to provide a Street Lighting Update

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 November 19, 2019 from the Commissioner of Corporate Services and Chief Financial Officer re: **2019 Audit Plan**

Recommendation

That the report dated November 19, 2019 from the Commissioner of Corporate Services and Chief Financial Officer titled “2019 Audit Plan”, be received for information.

Recommend Receipt

7.2. Report dated November 19, 2019 from the Information Technology Auditor re: **Final Audit Reports:**

1. **Transportation & Works Department, Traffic Management and Municipal Parking Division – Traffic Signals and Systems Program Audit; and,**
2. **Transportation & Works Department, Infrastructure Planning & Engineering Services Division – Stormwater Revenue Audit**

Recommendation

That the report dated November 19, 2019 from the Information Technology Auditor with respect to final audit reports:

1. Transportation & Works Department, Traffic Management and Municipal Parking Division – Traffic Signals and Systems Program Audit; and,
2. Transportation & Works Department, Infrastructure Planning & Engineering Services Division – Stormwater Revenue Audit

be received for information.

Recommend Receipt

8. ENQUIRIES

9. CLOSED SESSION – Nil.

10. ADJOURNMENT

City of Mississauga
Minutes

MISSISSAUGA

Audit Committee

Date
2019/09/23

Time
9:03 AM

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

Members Present
Mayor Bonnie Crombie – Arrived 9:27 AM
Councillor Stephen Dasko
Councillor Karen Ras
Councillor Ron Starr (Chair)
Councillor Dipika Damerla

Members Absent – Nil.

Staff Present
Janice Baker, City Manager and Chief Administrative Officer
Gary Kent, Commissioner, Corporate Services and Chief Financial Officer
Jeff Jackson, Director of Finance and Treasurer
Wesley Anderson, Manager of Financial and Treasury Services
Kevin M. Travers, Partner, KPMG, External Auditor
Krystal Christopher, Legislative Coordinator, Legislative Services
Allyson D'Ovidio, Legislative Coordinator, Legislative Services

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

1. **CALL TO ORDER** – 9:03 AM

2. **APPROVAL OF AGENDA**

Approved (Councillor Ras)

3. **DECLARATION OF CONFLICT OF INTEREST** - Nil

4. **MINUTES OF PREVIOUS MEETING**

4.1. Audit Committee Draft Minutes - May 6, 2019

Approved (Councillor Ras)

5. **DEPUTATIONS** - Nil

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:

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 CONSIDERED**

7.1. Final Audit Report: Corporate Services Department, Revenue and Materiel Management Division, Revenue and Taxation Section - Cashiers Operations Audit

Janice Baker, City Manager & Chief Administrative Officer introduced Vandana Waghela, Internal Auditor who provided background on the audit and how it was conducted.

Ms. Waghela presented a summary of the recommendations from the report noting a total of 24 recommendations resulted from this audit. Eleven (11) recommendations are related to the safeguarding of assets and information, eight (8) are to strengthen operational control and financial reporting, four (4) address compliance with and clarification of corporate requirements and one (1) improves the efficiency and

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effectiveness of business operations. Details of the audit recommendations and management comments can be found in Appendix A of the audit.

Management has agreed to all the recommendations and two (2) were completed during the audit. Three (3) will be completed by September 2019, fourteen (14) by December 2019, and the remaining five (5) by July 2020.

In response to Councillor Ras, Ms. Waghela provided clarification with respect to the "surprise cash counts" and noted this is a process conducted at random when the supervisor or team leader counts the cash in order to ensure accuracy.

In response to Councillor Starr, Ms. Baker noted that the lapse in time between audits is due to the minimal level of risk in the Cashiers office as a result of strong controls; familiarity with compliance and a fairly basic system. Ms Baker noted further that the audit work plan is based on the level of risk across the entire corporation.

Gary Kent, Commissioner of Corporate Services and Chief Financial Officer spoke regarding the LEAN program; process mapping and the use of new software as additional measures used to ensure compliance. In response to Councillor Starr, Mr. Kent discussed the fast changing technology and the upcoming presentation on the SAP Road Map update noting that the City works to ensure controls and compliance are current however, investments in new technology is not always more efficient.

RECOMMENDATION
AC-0010-2019
That the report dated September 12, 2019 from the Information Technology Auditor with respect to final audit report, Corporate Services Department, Revenue and Materiel Management Division, Revenue and Taxation Section – Cashiers Operations Audit, be received for information.

Recorded Vote	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie			X	
Councillor S. Dasko	X			
Councillor K. Ras	X			
Councillor R. Starr	X			
Councillor D. Damerla	X			

Received (Councillor Damerla) (4, 0, 1 – Absent)

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7.2. Status of Outstanding Audit Recommendations as of June 30, 2019

In response to Councillor Ras, Janice Baker, City Manager & Chief Administrative Officer spoke to the outstanding audit with respect to the Mississauga Transit Union noting implementation is expected to be complete by December 2019. Ms. Baker noted a possible connectivity issue between the old transit payroll system and SAP had caused the delay in the transfer of data.

In response to Councillor Dasko, Ms. Baker noted the Street Lighting program audit is a legal issue and noted this item can be deferred to the next Audit Committee meeting as an agenda item when Legal staff and Geoff Wright, Commissioner of Transportation and Works are available to answer questions.

RECOMMENDATION
AC-0011-2019
That the report dated September 3, 2019 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of June 30, 2019 be received for information.

Recorded Vote	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie			X	
Councillor S. Dasko	X			
Councillor K.Ras	X			
Councillor R.Starr	X			
Councillor D. Damerla	X			

Received (Councillor Dasko) (4, 0, 1 - Absent)

8. **ENQUIRIES** - Nil

9. **EDUCATION SESSION**

Mayor Crombie arrived at 9:27 AM

9.1. SAP Roadmap Update – Education Session (Helen Chin-Donofrio)

Gary Kent, Commissioner of Corporate Services and Chief Financial Officer provided background context for the presentation and introduced Shawn Slack, Director of Information Technology.

Mr. Slack introduced himself and Helen Chin-Donofrio, Senior Manager, Enterprise

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Business Solutions. Ms. Chin-Donofrio presented the “SAP Roadmap Update” and identified its many uses including: Accounts Receivable; Accounts Payable; General Ledger; Purchasing; Human Capital Management for Personnel Benefits and Administration; Payroll Administration; Employee and Manager Self-Serve; Environmental Health and Safety as well as Business Intelligence Reporting.

Ms. Chin-Donofrio identified how SAP solutions support the People Strategy; increased efficiency; reduce manual processes; increase staff accountability; provides greater controls and compliance of Corporate Policies and strengthens the mobile workforce.

Ms. Chin-Donofrio identified initiatives underway: SuccessFactors Learning Management solution (November 2019); SuccessFactors Compensation solution (December 2019) Concur Invoice Processing – Phase 2 (October 2019); Parking Enforcement and Animal Services Performance Measures Dashboards (end of 2019) and more to come.

Ms. Chin-Donofrio provided a summary of key initiatives that will be the focus of future modernizations of Human Resource and Finance Services through the 2019-2024 SAP Roadmap. Further, Ms. Chin-Donofrio noted these service improvements will focus on enabling decision support; the mobile workforce; advance compliance and auditing controls supported by documentation and training.

In response to Councillor Ras, Mr. Slack spoke regarding the value in using a cloud based solution noting the positive business relationship with SAP and the benefits cloud based solutions offer with respect to efficiency and best business practise.

In response to Councillor Starr, Mr. Kent provided an explanation regarding the number of employees recorded, noting the statistics includes full-time, hourly and seasonal staff in order to effectively measure the number of staff on payroll which differs from the number of full-time staff accounted for in budget considerations.

Councillor Starr proposed that staff may wish to return to Audit Committee in one to two years for another update.

RECOMMENDATION
AC-0012-2019
That the Education Session from Helen Chin-Donofrio, Senior Manager, Enterprise Business Solutions, regarding the SAP Roadmap Update, be received for information.

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

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10. **CLOSED SESSION**

10.1. Final Audit Report: Corporate Services Department, Information Technology Division, Infrastructure Services Section - IT Hardware Audit

Tara Zammit, Senior Internal Auditor and Craig Emick, Information Technology Auditor provided background information and presented the findings of the report dated September 13, 2019.

Members of the Committee engaged in a discussion with respect to the recommendations.

RECOMMENDATION
AC-0013-2019
That the report dated September 13, 2019 from the Information Technology Auditor with respect to final audit report, Corporate Services Department, Information Technology Division, Infrastructure Services Section – IT Hardware Audit, be received for information.

Recorded Vote	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie	X			
Councillor S. Dasko	X			
Councillor K. Ras	X			
Councillor R. Starr	X			
Councillor D. Damerla	X			

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

11. **ADJOURNMENT** – 10:16 AM (Councillor Damerla)

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Streetlighting Program Audit Status Update

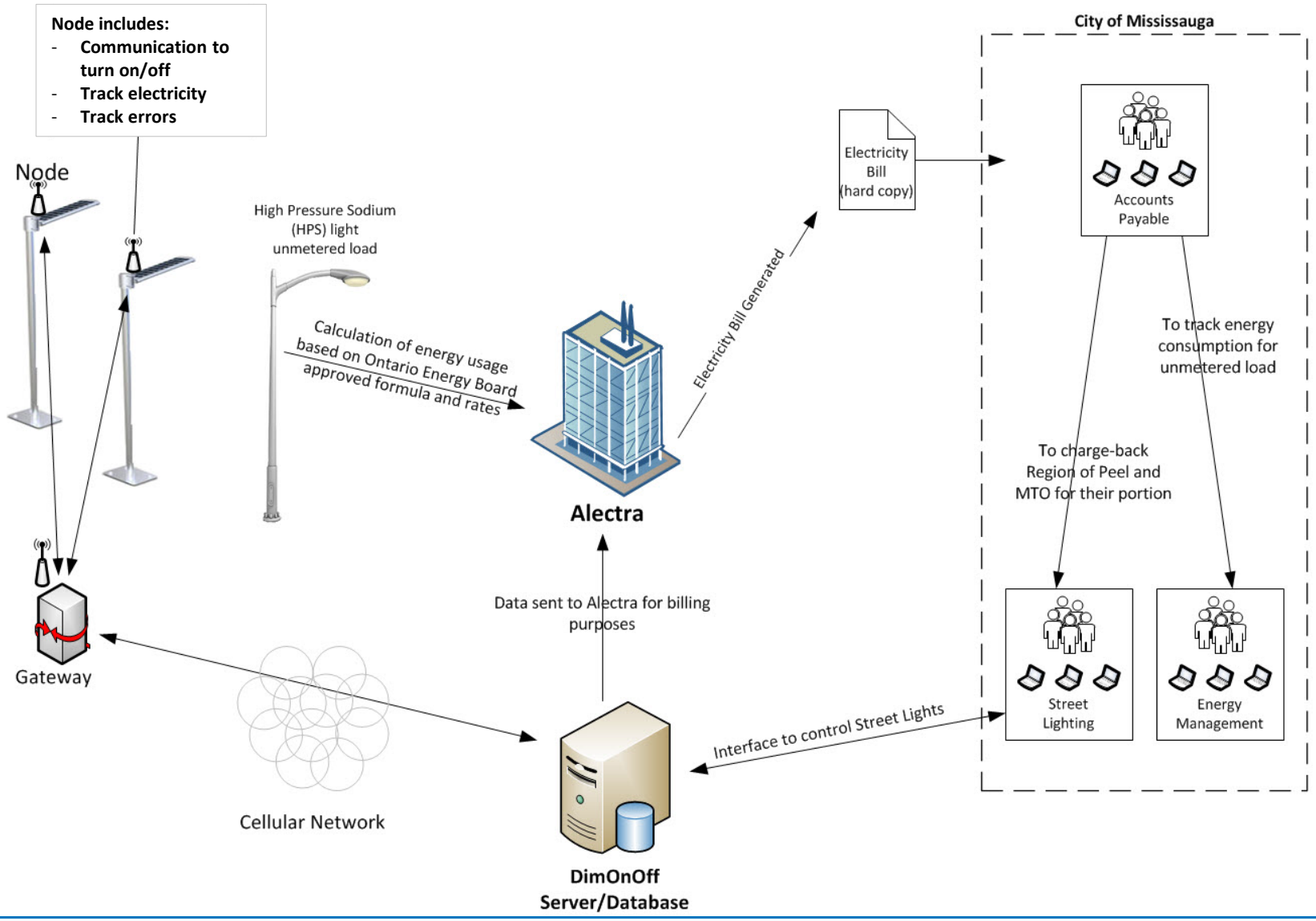
Audit Committee

December 2, 2019

MISSISSAUGA

Background

- Streetlighting Program maintained by T&W
- 2019 Operating Budget $6 Million
- 2019 Capital Budget $1.5 Million
- Pilot Project tested in 2011 showed significant energy savings converting HPS to LED technology
- City-wide conversion occurred 2012 – 2018
- In 2018, a Streetlighting Program Audit was performed resulting in 13 recommendations


Node includes:
- Communication to turn on/off
- Track electricity
- Track errors
Node
High Pressure Sodium (HPS) light unmetered load
Calculation of energy usage based on Ontario Energy Board approved formula and rates
Alectra
Electricity Bill Generated
Electricity Bill (hard copy)
City of Mississauga
Accounts Payable
To track energy consumption for unmetered load
To charge-back Region of Peel and MTO for their portion
Street Lighting
Energy Management
Gateway
Data sent to Alectra for billing purposes
Cellular Network
Interface to control Street Lights
DimOnOff Server/Database

2018 Internal Audit Scope

- Contracts/changes properly approved, documented
- Payments properly approved, processed and supported
- Third party recoverables properly managed
- Contract maintenance processes/service delivery clearly documented and followed
- Streetlight energy maintenance processes clearly documented; payments properly calculated, supported and managed
- Streetlighting components and monitoring systems implemented, controlled and managed in accordance with standards and good practices
- Warranties, securities, insurance in place and properly managed and enforced

Recommendation #1 - The City's record retention practices be reviewed for multi-year projects

- Joint Corporate Records/Materiel Management/ Legal review
- Not only multi-year but high risk projects need longer records retention
- Moving to electronic on-line bidding in 2020
- Acid test being developed to determine retention period for projects

Status	2019		2020	
Completion				

Recommendation #2 – That the Streetlighting Business Unit involves all relevant participants in the procurement process, including Legal Services, IT and MM

- Streetlighting is no longer a traditional Civil Works initiative
- It is a much more complex initiative requiring technical support
- Going forward: Requires participation by T&W, IT, MM and Legal

Status	2019	2020
Completion		

Recommendation #3 – Determine if supportable documentation for the disposal of HPS bulbs is adequate

- Contract scope required certificates for proof of proper recycling and mercury waste disposal for HPS light fixtures
- Conformance certificates were received but were overarching and not specific to each fixture as contractor collected and disposed/recycled lights from multiple municipalities
- City is enforcing terms of contract and going forward, certificates MUST be provided for the disposal of each fixture

Status	2019	2020
Completion		

Recommendation #4 – That streetlighting management ensure compliance with contract terms and conditions, including enforcement of warranties and claims

- Compliance and warranties are being adhered to by vendors
- As an example, on average 15 nodes and 50 luminaires are being replaced under warranty each month

Status	2019	2020
Completion		

Recommendation #5 – Review existing Streetlighting System to ensure operating as intended

- Steering Committee struck and a Project Charter developed
- Two separate RFQs to retain an independent consultant to perform wholesome review, both of which generated interest but no bids
- Issue with proprietary nature of the system
- Working with IT to have Dimonoff provide current assessment and future direction, trouble shooting to assess reliability

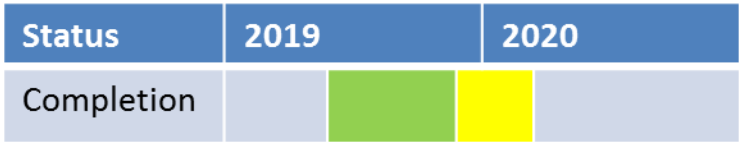
Status	2019			2020
Completion				

Streetlights That Remain on 24/7

- When a streetlight loses communication with gateway, it remains ‘on’
- Through maintenance, a number of lights staying ‘on’ have been retrofitted under warranty using newer technology which have a stronger radio frequency and better able to communicate with the area gateway
- The number of lights staying ‘on’ continues to reduce
- Focus over the past months has been to address streetlights along local roads within residential areas
- While progress is being made – the communication issue still remains and is primary focus for resolution

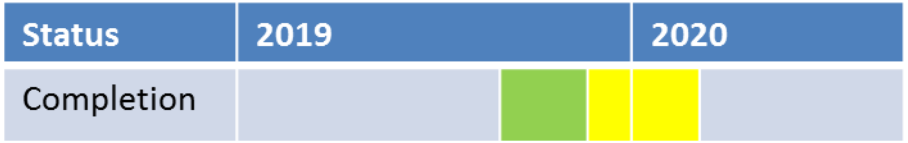
Recommendations 6 & 11 – Validate energy reporting and introduce proactive billing review

- Working with Energy Management, numerous meetings held with Alectra and Diminoff to assess accuracy of reporting and processes
- Now requesting and validating back end support data to invoicing



Recommendation #7 – Re-evaluate the Dimonoff error and alerting processes

- The Dimonoff system can send email and text alerts of errors or loss of communications/power
- Alarms were turned off due to volume of alerts
- For streetlighting, the City has been subdivided into zones
- As zones are being retrofitted, alarms will be reactivated within those specific zones



Recommendations 8 to 10 – Review Streetlighting inventory and validate billing populations

- Staff is working with Alectra to reconcile streetlighting inventory
- There has been a significant reduction in inventory inconsistency between that of Dimonoff and Alectra:
    - Feb 2019 930 discrepancies
    - Nov 2019 <200 discrepancies



Recommendation #12 – Ensure cross-departmental oversight for future Streetlighting Systems implementations

- A multi-disciplinary, cross-departmental Steering Committee has been struck to assess the current system and future implementations

Status	2019			2020
Completion				

Recommendation #13 – Develop corporate policy around practices and authorization for vendor references or testimonials

- There is currently an HR Policy (providing reference information) and a Materiel Management Vendor Performance Policy
- Caution needs to be taken to avoid promotion vs referencing
- New policies to include education and training to be brought forth in early 2020 to Council for endorsement

Status	2019		2020	
Completion				


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City of Mississauga
Corporate Report

MISSISSAUGA

Date: 11/19/2019

To: Chair and Members of Audit Committee

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

Originator's files:

Meeting date:
12/2/2019

Subject
2019 Audit Plan

Recommendation
That the report dated November 19, 2019 from the Commissioner of Corporate Services and Chief Financial Officer titled "2019 Audit Plan", be received for information.

Report Highlights
- The Audit Planning Report is designed to inform the Audit Committee and City management of the audit procedures to be performed by KPMG in discharging its audit responsibilities for the City's 2019 external audit.
- The external audit 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.
- The Engagement Letter sets out the responsibilities of the Audit Committee, management, city staff and KPMG for the contract term.

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 City's external audit which is scheduled to begin later this year. KPMG LLP, Chartered Accountants (KPMG), is currently serving the City in the fifth and final year (2019) of a contract for the fiscal years 2015 to 2019. KPMG was awarded the contract in 2015 after a successful competitive procurement.

Engagement Letter

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. 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

The 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 2019 external audit.

Financial Impact

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

The fees being paid to KPMG for the 2019 audit for the City, the Library Board, and the four Business Improvement Areas (BIAs) 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 BIAs 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 2019 Audit Planning Report. The audit objectives described in the 2019 Audit Planning Report have been set and will be applied for the upcoming annual audit.

Attachments

Appendix 1: 2019 City of Mississauga Audit Planning Report Draft
Appendix 2: 2015 KPMG Engagement Letter

G. Kent.

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

Prepared by: Wesley Anderson, Manager, Financial & Treasury Services

The Corporation of The City of Mississauga

Audit Planning Report
for the year ending December 31, 2019

KPMG LLP

Chartered Professional Accountants,
Licensed Public Accountants

November 8, 2019

kpmg.ca/audit

KPMG



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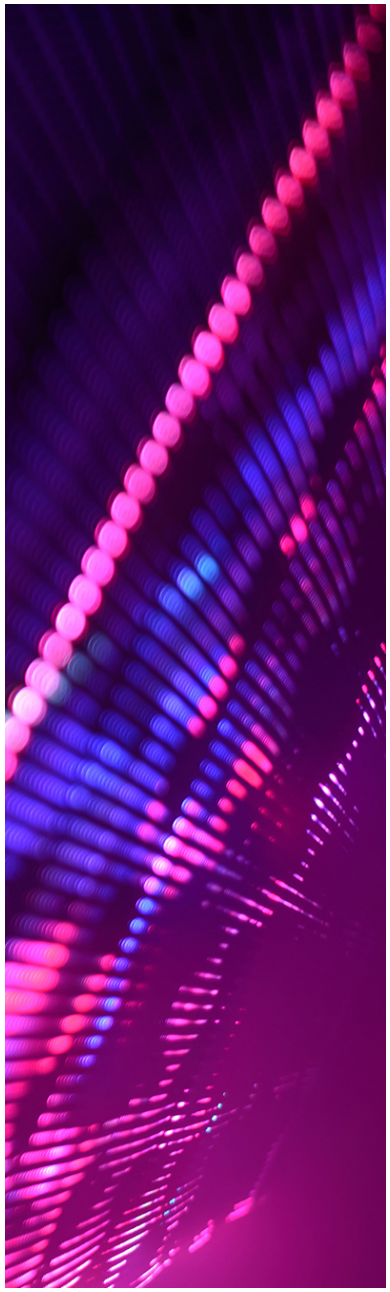
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The contacts at KPMG in connection with this report are:

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Shelyane Li
Audit Senior Manager
Tel: 416-224-4113
shelyaneli@kpmg.ca



Executive summary

Audit and business risks

Our audit is risk-focused. We will discuss these risks with you during the upcoming meeting. The audit of the Corporation of The City of Mississauga (the "City") consolidated financial statements is considered a group audit which includes a number of components. In planning our audit, we have taken into account key areas of focus for financial reporting.

See pages 3 to 7 for details.

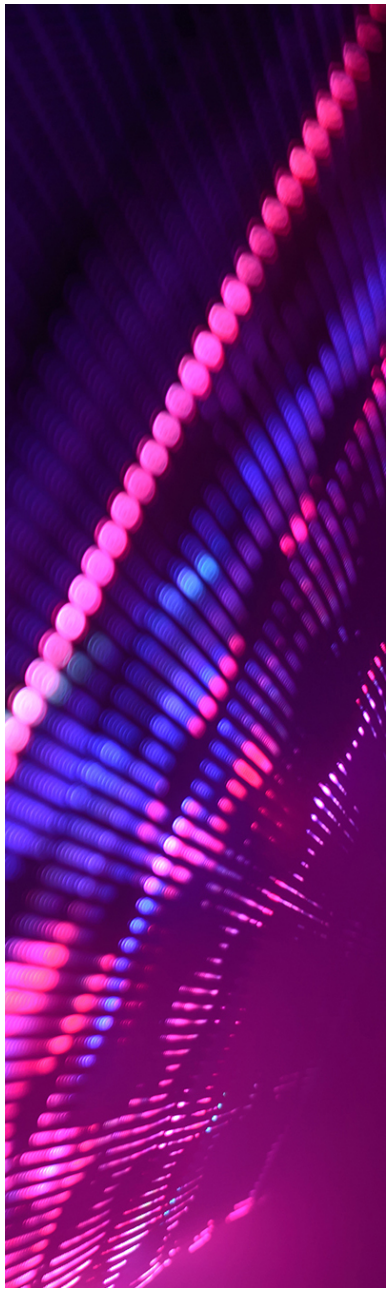
Group audit scope

Our audit consists of the following components over which we plan to perform audit procedures:

- Full scope audits:
  - The Corporation of The City of Mississauga
  - Enersource Corporation ("Enersource")

- Non-significant components, however these components are required to obtain statutory financial statements under the Municipal Act.
  - City of Mississauga Public Library Board – ("Library")
  - Clarkson Village Business Improvement Association
  - Malton Business Improvement Area
  - Port Credit Business Improvement Area
  - Streetsville Business Improvement District Association (collectively the "BIAs")

- Non-significant components, which management has confirmed that there is no requirement for statutory financial statements
  - Living Arts Centre, including its subsidiaries



Executive summary

Audit materiality

Materiality has been determined based on prior year actual revenue. We have determined group materiality to be $25,150,000.

Materiality will be set at lower thresholds where necessary to meet local subsidiary financial statement audit requirements.

See page 8.

Independence and Quality Control

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 and Audit Trends

Please refer to pages 12 - 15 for accounting changes relevant to the City as well as audit trends.

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 risks

Professional requirements	Why is it significant?
Fraud risk from revenue recognition related to revenue transactions that are not in the normal course of business and deferred revenue.	This is a presumed fraud risk. The primary risk of fraudulent revenue recognition resides with manual journal entries for revenue transactions not in the normal course of business as well management's calculation of the deferred revenue – obligatory reserve funds.

Our audit approach

Our audit methodology incorporates the required procedures in professional standards to address this risk.

Our audit approach will consist of evaluating the design and implementation of selected relevant controls. We test journal entries that meet specific criteria. This criteria is designed during the planning phase of the audit and is based on areas and accounts that are susceptible to manipulation through management override and we design search filters that allow us to identify any unusual journal entries.

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 computation of deferred revenue – obligatory reserve funds through auditing management's methodology.

Professional requirements	Why is it significant?
Fraud risk from management override of controls.	This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

Our audit approach

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.



Areas of focus

Other areas of focus	Why are we focusing here?
Cash and Investments	Material account balances and disclosures
Tangible Capital Assets	Risk of material misstatement related to existence and accuracy of tangible capital assets and accuracy of timing of revenue recognition, particularly related to funds intended for tangible capital asset additions, deferred capital contributions, and contributed assets.

Our audit approach

- Review year-end bank and investment reconciliations and substantive testing of significant reconciling items
- Substantive test of details over additions and disposals of investments
- Obtain confirmations from financial institutions
- Review of financial statement note disclosures

- Substantive test of details over additions (including contributed tangible capital assets) and disposals
- Review amortization policy and recalculations
- Ensure that costs reflective of capital investments are appropriately recorded as tangible capital assets
- Review a sample of any disposals during the year
- Review construction in progress to ensure amounts are properly transferred to correct capital asset classes and amortization expense commences on a timely basis
- Review disclosures



Areas of focus

Other areas of focus	Why are we focusing here?
Taxes Receivable and Taxation Revenue	Risk of material misstatement related to designated revenue and accuracy of timing of revenue recognition
Deferred Revenue – obligatory reserve funds	Risk of material misstatement due to management assessment and judgment involved
Employee Future Benefits	Risk of material misstatement related to accuracy and valuation of the estimate involved in employee future benefits

Our audit approach

- Substantive approach to recalculating tax revenue using approved tax rates and assessment

- Update our understanding of the activities over initiation, authorization, processing, recording and reporting
- Review the City-prepared calculation of deferred revenue balance with the responsible individuals
- Examination of the continuity of deferred revenue – obligatory reserve funds, including vouching significant receipts and expenditures
- Recalculation of interest income allocation

- 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 actuaries (preparers of the estimate), and the historical accuracy of the estimates
- Communicate with actuaries and test HR data provided to them for use in their actuarial valuation performed for 2019
- Review assumptions used by actuary and management for reasonableness
- Review financial statement disclosures



Areas of focus

Other areas of focus	Why are we focusing here?
Expenses – Salaries and Benefits	Risk of material misstatement related to accuracy and occurrence of expenses
Accounts Payable, Accrued Liabilities, and Expenses	Risk of material misstatement related to completeness of liabilities
Contingencies	Risk of material misstatement related to completeness of contingencies and corresponding disclosures
Debenture debt issuance	Risk of material misstatement related to completeness of liabilities

Our audit approach

- Perform control testing over payroll cycle and vouch a sample of employees' salary and benefit expense to payroll information
- Ensure any collective bargaining agreements are evaluated for retroactive liabilities

- Search for unrecorded liabilities
- Examine significant accrued liabilities for existence, accuracy and completeness and
- Perform substantive test of details on selected non-payroll expenditures

- Perform a detailed 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 during planning and completion stage of the audit engagement

- Review Council and Regional Municipality of Peel by-laws on the issuance of the debenture debt
- Review note disclosures



Areas of focus

Other areas of focus	Why are we focusing here?
Contaminated sites liability	Risk of material misstatement related to completeness of liabilities
Living Arts Centre	The City has acquired control over its operations and will be consolidating its accounts from the point of control; implementation of restructuring accounting standards
Trust funds audit	Requires statutory financial statements over the Trust funds.
Consolidation (City and all components)	Ensure the completeness, accuracy of consolidated information

Our audit approach

- Update our understanding on the controls and practices 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

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- Direct confirmation on cash balances
- Vouching of selected revenue and expense transactions to source documents
- Search for unrecorded liabilities

- Direct confirmation on cash and investment year-end balances
- Vouching of selected revenue and expense transactions to source documents.

- Review operations of and perform audit procedures for the consolidated entities, including Enersource, City of Mississauga Library Board, BIAs, and the Living Arts Centre.
- Review the eliminating entries as prepared by management for accuracy and completeness
- Review financial statement note disclosures related to Enersource, including the City's share of net income, dividends, etc.

Materiality

Materiality determination	Comments	Group amount
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 $29,000,000.	$25.15 million
Benchmark	Based on prior year total revenues, less contributed assets, which are non-cash. This benchmark is consistent with the prior year.	$1.0 billion
% of Benchmark	The corresponding percentage for the prior year's audit was 2.5%	2.5%
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the previous year's audit was $1,160,000.	$1.26 million

Significant Component Statutory Audit Materiality:	
Enersource	$14 million (2018 - $14 million)

Materiality is used to scope the audit, identify risks of material misstatements and evaluate the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors.

To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality.

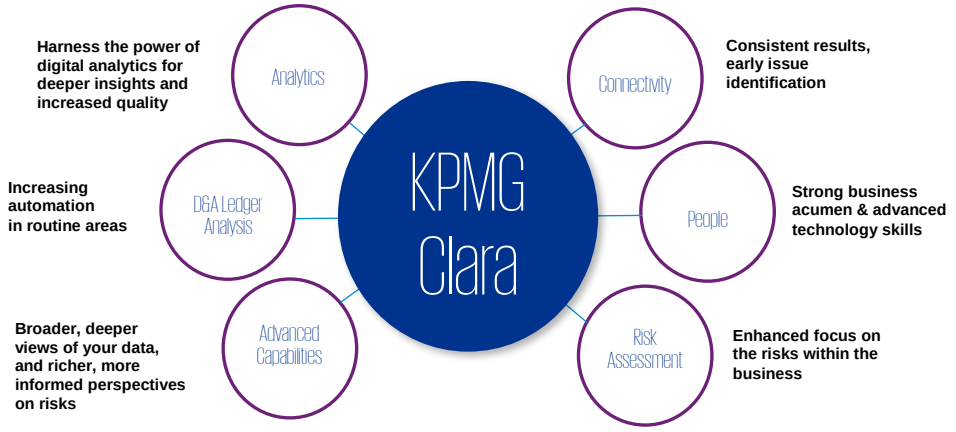
We will report to the Audit Committee:

- Corrected audit misstatements
- Uncorrected audit misstatements

The audit of today, tomorrow & the future

As part of KPMG's technology leadership, our audit practice has developed technologies and alliances to continuously enhance our capabilities and deliver an exceptional audit experience.

Technology empowers us with the ability to perform deep analysis over your financial information, focusing our effort and interactions on the areas of greatest risk and minimizing disruption to your business.



Technology we use today

Tool	Benefit to audit
KPMG Clara Client Collaboration	KCCC is our secure audit platform and a one-stop shop through which we plan, execute and manage the audit, providing you with real-time access to the process at every step, including exchange of information and access to the real-time reporting you need in one central location.
KPMG Clara Advanced Capabilities	KPMG Clara Advanced Capabilities leverage our data and analytics capabilities, enabling us to analyze your general ledger data in the planning and account analysis stage and adjust our planned audit approach accordingly to target the areas of greatest risk. It allows us to use automation in performing our audit procedures over accounts such as amortization expense, vendor payments and journal entries.
Journal Entry Analysis	Our journal entry tool assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.
Data & Analytics Routines	We will 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.

The audit of today, tomorrow & the future

We continue to make significant investments in enhanced methodologies, new technologies and strategic alliances with leading technology companies that can have a transformative impact on auditing, and more broadly, financial reporting. KPMG is investing in the development of innovative audit technologies through both internal solutions and our alliances with technology firms including Finger Food, Microsoft, IBM Watson and others. We are committed to investing in cognitive technology to develop external auditing tools and technologies. Cognitive technology will enable us to teach a machine how to perceive, reason, and learn like a human being. This will be transformative to our profession, and will directly benefit the City in the future. We are developing intelligent automation to enable programmed reviews of unstructured data in source documents; freeing our professionals to focus their efforts on areas of greater risk. This may sound simple, but it's actually quite powerful, with complex underlying technologies.

Technology under development

Tool	Benefit to audit
Business process mining (BPM)	BPM harnesses sub-ledger analytics and provides us with a deeper understanding of your processes. Our BPM tool is currently being piloted globally and will be coming soon to Canada. The tool provides immediate visualization of how 100% of your transactions are being processed to complement your process narratives and flow charts. A deeper understanding of your processes enhances our understanding of your business. This will ensure our team is focused on auditing the right risks and leveraging your team's resources efficiently. It also helps us identify inefficiencies or manual workarounds in a process and highlights where the process is under stress.
Artificial Intelligence Financial Statement Disclosure Analysis Tool	Our artificial intelligence capability will compare the City's financial statement disclosures against existing, new, and modified accounting guidance and pronouncements, in addition to comparing them against peer government entities. We'll be able to share with you not only how your disclosures compare to the requirements but also to your peer group.
Sentiment Analysis	Sentiment analysis is about scanning newsfeeds, social media and public data to get a real-time view of your brands while flagging emerging risks in the process. This allows us to highlight trends globally, and can also help to identify hotspots by asset or geography. If we see a spike in 'noise,' we investigate and discuss with you, as well as make an assessment of the impact on our audit.
Optical Contract Reader & Analysis Tool	Our Optical Contract Reader & Analysis Tool provides us with capabilities to improve the effectiveness and efficiency of the contract review process. This works by automating the ingestion of contracts and related source documents and extracting and summarizing key terms for the audit engagement team's consideration, in turn providing increased coverage of the population and resulting in greater audit quality. The tool can also be used to read unstructured source documents in PDF format, extracting certain data such as invoice date, invoice number, account number, order number and total amount. This data is then compiled and compared to structured data from the general ledger. Time savings generated from this intelligent automation solution will allow our team to focus their efforts on areas of greater risk.

Key deliverables and milestones

June	November	December	January – March	April	April	May
Planning 2019 year-end audit	Interim fieldwork	Audit planning report	Year end fieldwork	Closing Meeting Recommend approval of financial statements by Treasurer and CFO	Issuance of final auditors' report Receipt of financial statements by Audit Committee Audit findings discussion	Debrief meeting

Fieldwork dates are:

- **Interim:** week of November 18, 2019
- **BIAs:** 2 weeks of January 27 to February 7, 2020
- **City, Library, Trust funds:** 3 weeks of February 17 to March 6
- **Final consolidation:** week of March 23

Current developments

Public Sector Accounting Standards

The following are upcoming changes that are effective in the current year or will be effective in future periods as they pertain to Public Sector Accounting Standards. We have provided an overview of what these standards are and what they mean to your financial reporting so that you may evaluate any impact to your future financial statements.

Standard	Summary and implications
Restructuring Transactions (applicable for the current year ending December 31, 2019)	– 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. – The standard requires that assets and liabilities are to be measured at their carrying amount. It also prescribes financial statement presentation and disclosure requirements. – This standard is effective for fiscal periods beginning on or after April 1, 2018 (City's December 31, 2019 year-end).
Asset Retirement Obligations (applicable for the year ending December 31, 2022 with a retrospective application effective December 31, 2020)	– A new standard has been approved that is effective for fiscal years beginning on or after April 1, 2021 (City's 2022 year-end). – The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs would be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area. – The ARO standard would require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets ("TCA"). The amount of the initial liability would be added to the historical cost of the asset and amortized over its useful life. – As a result of the new standard, the public sector entity would have to: • consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; • begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.

Revenue	– A new standard has been approved that is effective for fiscal years beginning on or after April 1, 2022 (City's 2023 year-end). – The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. – The standard notes that in the case of revenues arising from an exchange, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. – The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Financial Instruments and Foreign Currency Translation	– New accounting standards, PS3450 *Financial Instruments*, PS2601 *Foreign Currency Translation*, PS1201 *Financial Statement Presentation* and PS3041 *Portfolio Investments* have been approved by PSAB and are effective for years commencing on or after April 1, 2021 (the City's 2022 year-end). – Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the government's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. – Hedge accounting is not permitted. – A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations. – Based on stakeholder feedback received, PSAB is considering certain scope amendments to PS 3450 *Financial Instruments*. An exposure draft with the amendments was issued in December 2018. The proposed amendments are expected to include the accounting treatment of bond repurchases, scope exclusions for certain activities by the federal government, and improvements to the transitional provisions.
Employee Future Benefit Obligations	– PSAB has initiated a review of sections PS3250 *Retirement Benefits* and PS3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits*. Given the complexity of issues involved and potential implications of any changes that may arise from this review, the project will be undertaken in phases. Phase I will address specific issues related to measurement of employment benefits. Phase II will address accounting for plans with risk sharing features, multi-employer defined benefit plans and sick leave benefits. – Three Invitations to Comment were issued and have closed. The first Invitation to Comment sought guidance on whether the deferral provisions in existing public sector standards remain appropriate and justified and the appropriateness of accounting for various components of changes in the value of the accrued benefit obligation and plan assets. The second Invitation to Comment sought guidance on the present value measurement of accrued benefit obligations. A third Invitation to Comment sought guidance on non-traditional pension plans. – The ultimate objective of this project is to issue a new employment benefits section to replace existing guidance.

Public Private Partnerships ("P3")	– A taskforce was established in 2016 as a result of increasing use of public private partnerships for the delivery of services and provision of assets. – A Statement of Principles ("SOP") was issued in August 2017 which proposes new requirements for recognizing, measuring and classifying infrastructure procured through a public private partnership. – The SOP proposes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends. – The SOP proposes the public sector entity recognize a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. – The infrastructure would be valued at cost, with a liability of the same amount if one exists. Cost would be measured by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.
Concepts Underlying Financial Performance	– PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. – A Statement of Concepts ("SOC") and Statement of Principles ("SOP") were issued for comment in May 2018 and has closed. – The SOC proposes a revised, ten chapter conceptual framework intended to replace PS 1000 *Financial Statement Concepts* and PS 1100 *Financial Statement Objectives*. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced. – The SOP includes principles intended to replace PS 1201 *Financial Statement Presentation*. The SOP proposes: • Removal of the net debt indicator, except for on the statement of net debt where it would be calculated exclusive of financial assets and liabilities that are externally restricted and/or not available to settle the liabilities or financial assets. • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). • Restructuring the statement of financial position to present non-financial assets before liabilities. • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities). • A new provision whereby an entity can use an amended budget in certain circumstances. • Inclusion of disclosures related to risks and uncertainties that could affect the entity's financial position.
International Strategy	– PSAB is in the process of reviewing its current approach towards International Public Sector Accounting Standards. This project may result in changes to the role PSAB plays in setting standards in Canada. – A consultation paper was released for comment in May 2018 and has closed. The consultation paper described the decision-making criteria PSAB expects to consider in evaluating the international strategy that best serves the public sector. It also introduced four proposed international strategies that PSAB considers to be viable.

Audit trends

Please visit KPMG's Audit Committee Institute (ACI) / 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:

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 you. We would, of course, be happy to further discuss this information with you at your convenience.

Thought Leadership	Overview	Links
Accelerate	Introducing the new 2019/2020 Accelerate report, a KPMG report and video series offering insight into the key issues driving the Audit Committee agenda, including: • Digital disruption of the finance function • Digital business brings increased cyber risk • Taking the lead on data privacy • Boards bracing for climate change • Future-proofing your ERM	**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 report**
2018 Audit Quality and Transparency Report	Learn about KPMG's ongoing commitment to continuous audit quality improvement. We are investing in new innovative technologies and building strategic alliances with leading technology companies that will have a transformative impact on the auditing process and profession. How do we seek to make an impact on society through the work that we do?	**Link to report**



- **Appendix 1: Audit quality and risk management**
- **Appendix 2: KPMG's audit approach and methodology**
- **Appendix 3: Lean in Audit™**
- **Appendix 4: Required Communications**

Appendix 1: Audit quality and risk management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards. Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems. Visit our Audit Quality Resources page for more information including access to our most recent Audit Quality and Transparency Report.

We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.

We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality. We do not offer services that would impair our independence.

All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.

The processes we employ to help retain and develop people include:

- Assignment based on skills and experience
- Rotation of partners
- Performance evaluation
- Development and training
- Appropriate supervision and coaching



We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.

Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Other controls include:

- Before the firm issues its audit report, Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits
- Technical department and specialist resources provide real-time support to audit teams in the field

Appendix 2: KPMG's audit approach and methodology

This year we will expand our use of technology in our audit through our new smart audit platform, KPMG Clara.

Collaboration in the audit

A dedicated KPMG Audit home page gives you real-time access to information, insights and alerts from your engagement team

Issue identification

Continuous updates on audit progress, risks and findings before issues become events

Data-driven risk assessment

Automated identification of transactions with unexpected or unusual account combinations – helping focus on higher risk transactions and outliers



Deep industry insights

Bringing intelligence and clarity to complex issues, regulations and standards

Analysis of complete populations

Powerful analysis to quickly screen, sort and filter 100% of your journal entries based on high-risk attributes

Reporting

Interactive reporting of unusual patterns and trends with the ability to drill down to individual transactions

Appendix 3: Lean in Audit™

An innovative approach leading to enhanced value and quality

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

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

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

How it works

Lean in Audit employs three key Lean techniques:

1. **Lean training**

Provide basic Lean training and equip our teams with a new Lean mindset 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 immediate quick win actions and prioritized opportunities to realize benefit.

Appendix 4: 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 as provided by management.

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 planning report

This report.

Audit findings report

At the completion of our audit, we will provide our audit findings to the Audit Committee.

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 of management as part of our planning process; responses to these will assist us in planning our overall audit strategy and audit approach accordingly.

- Fraud:
  - What are your views about fraud risks at 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?
- Laws and Regulations: Is the entity in compliance with laws and regulations?
- Significant Unusual Transactions: Has the entity entered into any significant unusual transactions?

Annual independence letter

At the completion of our audit, we will confirm our independence to the Audit Committee.



kpmg.ca/audit

KPMG LLP, an Audit, Tax and Advisory firm (kpmg.ca) and a Canadian limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International Cooperative ("KPMG International").

KPMG member firms around the world have 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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Mr. Gary Kent
Commissioner of Corporate Services
and Treasurer
The Corporation of the City of Mississauga
300 City Centre Drive
Mississauga, ON L5B 3C1

Councillor Ron Starr

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

October 2, 2015

Dear Sirs:

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

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

collectively ("the Entities").

Programs:

Canadian Strategic Fund Agreement Expenditures Report
Next Steps to Active Living

collectively ("the Programs").

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

FINANCIAL REPORTING FRAMEWORK FOR THE FINANCIAL STATEMENTS

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

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

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

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management acknowledges and understands that they are responsible for:

(a) the preparation [and fair presentation] of the financial statements in accordance with the financial reporting framework referred to above

(b) ensuring that all transactions have been recorded and are reflected in the financial statements

(c) such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud

(d) providing us with access to all information of which management is aware that is relevant to the preparation of the financial statements such as financial records, documentation and other matters, including the names of all related parties and information regarding all relationships and transactions with related parties

(e) providing us with additional information that we may request from management for the purpose of the audit

(f) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain audit evidence

(g) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also

acknowledges and understands that professional standards require that we disclaim an audit opinion

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

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

AUDITORS' RESPONSIBILITIES REGARDING THE AUDIT OF THE FINANCIAL STATEMENTS

Our function as auditors of the Entities is:

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

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

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

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

AUDITORS' DELIVERABLES

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

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

INCOME TAX COMPLIANCE AND ADVISORY SERVICES

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

FEES

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

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

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

Yours very truly,



Kevin Travers**,** Partner responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body
(416) 228-7004

Steno/Reference
Enclosure
cc: Audit Committee

****

The terms of the engagement set out are as agreed:

Councillor Ron Starr, Chair, Audit Committee

Date

Mr. Gary Kent, Commissioner of Corporate Services and Treasurer

Date

Appendix A– Fees for Professional Services

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

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

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

Appendix B – Expected Form of Report

INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

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

1. SEVERABILITY.

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

2. GOVERNING LAW.

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

3. LLP STATUS.

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

such consent by contacting KPMG's National Office located at Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, Ontario M5H 2S5, Attention: Unsubscribe; or info@kpmg.ca.

4. DOCUMENTS AND INFORMATION.

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

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

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

6. PERSONAL INFORMATION CONSENTS AND NOTICES.

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

The Entity represents and warrants that: (i) it will obtain any consents reasonably required to allow KPMG to collect, use and disclose personal information in the course of the engagement, and (ii) it has provided notice of the potential processing of such personal information outside of Canada (as described in paragraph 5 above). KPMG's Privacy Officer noted in KPMG's Privacy Policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.

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

7. OFFERS OF EMPLOYMENT.

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

8. OFFERING DOCUMENTS.

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

9. FEE AND OTHER ARRANGEMENTS.

KPMG's estimated fee is based on the quality of the Entity's accounting records, the agreed-upon level of preparation and assistance from the Entity's personnel, and adherence to the agreed-upon timetable. KPMG's estimated fee also assumes that the Entity's financial statements are in accordance with the applicable financial reporting framework and that there are no significant new or changed accounting policies or issues, or financial reporting, internal control over financial reporting or other reporting issues. KPMG will inform the Entity on a timely basis if these factors are not in place. Additional time may be incurred for such matters as significant issues, significant unusual and/or complex transactions, informing management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that included in the estimated fee, the Entity and KPMG agree to revise the estimated fee. No significant additional work will proceed without management's concurrence, and, if applicable, without the concurrence of those charged with governance. Upon completion of these services KPMG will review with the Entity any fees and expenses incurred in excess of KPMG's estimate, following which KPMG will render the final billing. Routine administrative expenses such as long distance telephone calls, photocopies, fax charges, printing of statements and reports, postage and delivery and secretarial and report department assistance will be charged on the basis of a percentage of KPMG's professional costs. Other disbursements for items such as travel, accommodation and meals will be charged based on KPMG's actual disbursements. KPMG's invoices are due and payable upon receipt. Amounts overdue are subject to interest. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing the report and, if applicable, any consent.

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

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

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

10. LEGAL PROCESSES.

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

When such an authority requests access to KPMG's working papers and other work-product relating to the Entity's affairs, KPMG will, on a reasonable efforts basis, refuse access to any document over which the Entity has expressly informed KPMG at the time of delivery that the Entity asserts privilege, except where disclosure of documents is required by law. The Entity must mark any document over which it asserts privilege as "privileged". If and only if the authority requires such access to privileged documents pursuant to the laws of a jurisdiction in which express consent is required for such disclosure, then the Entity hereby provides its consent.

Where privileged Entity documents are disclosed, KPMG is directed to advise the authority that the Entity is permitting disclosure only to the extent required by law and for the limited purpose of the authority's exercise of statutory authority. KPMG is directed to advise the authority that the Entity does not intend to waive privilege for any other purpose and that the Entity expects its documents to be held by the authority as privileged and confidential material (held securely, limited distribution, etc.). For greater certainty, the Entity and KPMG hereby agree that this acknowledgement (and, if required, consent) does not negate or constitute a waiver of privilege for any purpose and the Entity expressly relies upon the privilege protections afforded under statute and otherwise under law.

The Entity agrees to reimburse KPMG, upon request, at standard billing rates for KPMG's professional time and expenses, including reasonable legal fees, incurred in dealing with the matters described above.

11. KPMG INTERNATIONAL MEMBER FIRMS.

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

12. CONNECTING TO THE ENTITY'S IT NETWORK.

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

13. DELIVERABLES OR COMMUNICATIONS.

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

KPMG expressly does not consent to the use of any communication, report, statement or conclusion prepared by us on the interim financial statements. Further any such communication, report, statement or conclusion on the interim financial statements may not be included in, summarized in, quoted from or otherwise used in any public document or public oral statement except when the interim review conclusion contains a modified conclusion as explained below.

If the interim review conclusion is modified relating to a departure from the applicable financial reporting framework, which is not as a result of an exemption permitted by securities legislation, you agree that our interim review report will accompany the interim financial statements.

14. ALTERNATIVE DISPUTE RESOLUTION.

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

City of Mississauga
Corporate Report

MISSISSAUGA

Date: 2019/11/19	Originator's files:
To: Chair and Members of Audit Committee	
From: Craig Emick, CIA CGAP CISA CISM CRISC Information Technology Auditor	Meeting date: 2019/12/02

Subject

Final Audit Reports:

1. **Transportation & Works Department, Traffic Management and Municipal Parking Division – Traffic Signals and Systems Program Audit; and,**
2. **Transportation & Works Department, Infrastructure Planning & Engineering Services Division – Stormwater Revenue Audit**

Recommendation

That the report dated November 19, 2019 from the Information Technology Auditor with respect to final audit reports:

1. Transportation & Works Department, Traffic Management and Municipal Parking Division – Traffic Signals and Systems Program Audit; and,
2. Transportation & Works Department, Infrastructure Planning & Engineering Services Division – Stormwater Revenue 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 the following two audits:

1. Transportation & Works Department, Traffic Management and Municipal Parking Division – Traffic Signals and Systems Program Audit; and,

2. Transportation & Works Department, Infrastructure Planning & Engineering Services Division – Stormwater Revenue Audit

The two 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 Transportation & Works Department, Traffic Management and Municipal Parking Division – Traffic Signals and Systems Program Audit; and Transportation & Works Department, Infrastructure Planning & Engineering Services Division – Stormwater Revenue Audit are now complete and are submitted for consideration by the Audit Committee.

Attachments

Appendix 1: Transportation & Works Department, Traffic Management and Municipal Parking Division - Traffic Signals and Systems Program Audit

Appendix 2: Transportation & Works Department, Infrastructure Planning & Engineering Services Division - Stormwater Revenue Audit



Craig Emick, CIA CGAP CISA CISM CRISC
Information Technology Auditor

Prepared by: Karen Hobbs, Administrative Coordinator

APPENDIX 1

City of Mississauga

Internal Audit Report

TRANSPORTATION & WORKS DEPARTMENT
TRAFFIC MANAGEMENT AND MUNICIPAL PARKING DIVISION
TRAFFIC SIGNALS AND SYSTEMS PROGRAM AUDIT

November 18, 2019

City Manager's Department
Internal Audit Division

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TRAFFIC MANAGEMENT & MUNICIPAL PARKING DIVISION
TRAFFIC SIGNALS AND SYSTEMS PROGRAM AUDIT

Distribution List

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- Manager, Traffic Signals & Systems

Corporate Services Department

- Director, Facilities & Property Management
- Director, Finance & Treasurer
- Manager, Financial and Treasury Services

KPMG LLP, Chartered Accountants, External Auditor

Transportation & Works Department
Traffic Management and Municipal Parking Division
Traffic Signals and Systems Program Audit

BACKGROUND

Traffic control signals ensure the safe and efficient movement of people and traffic on city streets. Signal malfunctions and failures can lead to accidents, traffic congestion, public dissatisfaction and economic loss. Traffic flow is controlled by the City's Central Traffic Computer System and includes municipal signalized intersections within Mississauga as well as those under the jurisdiction of the Region of Peel, Ministry of Transportation Ontario, Halton Region and the Greater Toronto Airports Authority. The City of Mississauga maintains a network of 787 intersections as part of the city's road infrastructure. The Traffic Signals and Systems Section is part of the Traffic Management and Municipal Parking Division of the Transportation and Works Department.

In 2015, the City began implementation of an Advanced Transportation Management System (ATMS). The Traffic Management Centre (TMC) and the Traffic Control System installation (iNET) were completed in 2017. Traffic Signal Communications were upgraded in 2018 by leveraging the City's existing fibre network with wireless and cellular connectivity. A new traffic control system including the replacement of traffic signal controllers at all signalized intersections was completed in July of 2018.

Day to day operations and monitoring of the ATMS is performed by a team of technical staff lead by the Manager of Traffic Signals and Systems and comprised of two business units, each lead by a Supervisor. The Traffic Signals Unit is staffed by two Traffic Signal Contract Coordinators, a Traffic Signal Technologist and three Traffic Signal Technicians. The Traffic Systems & Intelligent Transportation Systems (ITS) Unit is staffed by a Traffic System Coordinator, one ITS Technologist, three Traffic System Technicians and three ATMS Operations Technicians. Leading the ATMS project is a Project Leader and a part-time ATMS Consultant.

The Traffic Signals business unit's mandate is to repair and/or replace all traffic control signals within the timeframe specified in the Provincial Minimum Maintenance Standards and to manage traffic operations in accordance with provincial regulations and design standards. The Traffic Systems & ITS business unit's goal is to ensure that City-operated and maintained intersections within the municipal boundary function effectively at the best achievable capacity allowing for the efficient movement of traffic.

The 2018 operating budget for the Traffic Signals and Systems Section was $4.4 million and the 2018 capital budget was $1.5 million: $390,000 for rebuilt and $710,000 for new traffic signals; $190,000 for field equipment replacement of traffic controllers; $150,000 for traffic signal equipment enhancements; and $75,000 for traffic system and ITS. There were active Works in Progress (WIP) from prior years, two of which dated back to 2008 with funds required for ongoing traffic projects.

SCOPE

The audit examined controls and risk mitigation for the business operations of the City's Traffic Signals and Systems function. Emphasis was on compliance with contracts/agreements, payments and third party recoveries, inventory safeguarding and recordkeeping, energy management monitoring, as well as compliance with Provincial regulations, industry standards and applicable By-laws, Corporate Policies and Procedures.

OBJECTIVES

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. The purpose of the audit was to ensure that:

A) Traffic Signals and Systems Program acquisitions and agreements and any related amendments/changes are conducted, approved and documented in accordance with the City's Purchasing By-law, applicable Corporate Policies and Procedures and good business practices;

B) Payments are properly approved, calculated and processed, adequately supported and made in accordance with the terms and conditions of applicable contracts/agreements;

C) There are liability insurance coverage, WSIB, contract performance securities, warranties, etc., where applicable, to mitigate any risk exposure to the City;

D) Cost of work performed for third parties (recoveries) including applicable administrative fees is properly collected and recorded;

E) Traffic Signals' energy management processes are clearly and comprehensively documented and payments are properly approved, calculated, processed and adequately supported, and managed in accordance with corporate requirements and/or good business practices;

F) There are adequate controls over traffic signal components and monitoring systems concerning the design standards, receipt, storage/stocking, safeguarding, issue of and accurate recording of inventory;

G) Traffic signals are implemented, controlled and managed in accordance with Corporate Technology Standards, relevant industry standards and/or good practices;

H) Contract terms and conditions and regulatory requirements relating to maintenance and support of the traffic signal management system and equipment are adhered to;

I) Departmental procedures are clearly and comprehensively documented and comply with relevant industry standards, City By-laws, Corporate Policies and Procedures and departmental requirements; and,

J) Previous audit recommendations have been addressed.

SUMMARY OF OBSERVATIONS

The last audit performed in the Traffic Signals and Systems Section was in 2005, and over the past few years they have undergone a vast amount of change in technology, processes and office space with the new Traffic Management Centre. The audit was an opportunity to tighten existing controls and provide clearer guidance to staff on business protocols to mitigate risks to the City. The section is run by very competent staff with years of experience in their roles. A number of recommendations were addressed and completed during the course of the audit.

Results of the audit confirmed that payments were properly approved, calculated, processed and adequately supported. The audit confirmed that there is a large amount of useful data from various systems that could be mined in order to perform quantitative analysis, long range planning and budgeting (Objective B). Liability insurance coverage, WSIB, contract performance securities and warranties were in place; however, one insurance certificate needed the coverage amount adjusted to align with the existing contract. This was rectified during the course of the audit (Objective C).

The cost of work performed for third parties (recoveries) including applicable administrative fees was properly collected and recorded (Objective D). Traffic signals were implemented, controlled and managed in accordance with Corporate Technology Standards (Objective G). Contract terms and conditions and regulatory requirements relating to maintenance and support of the traffic signal management system and equipment were adhered to (Objective H); however, the original contract allowed for more latitude in pricing. The new tri-party agreement should provide an opportunity to renegotiate pricing to more reasonable levels. Some departmental procedures had been documented but were in varying formats (Objective I); therefore, additional and improved documentation of business processes and procedures is required to provide key information during unexpected absences or vacancies.

Although the observations noted in the audit are primarily administrative in nature, these recommendations are opportunities for improvement that would further strengthen existing controls. The observations fall under the following categories: Acquisitions and Agreements (Objective A); Safeguarding Information (Objective F); and Energy Management (Objective E).

Acquisitions

Most materials, goods and services were acquired in concert with Materiel Management and followed the Purchasing By-law. In 2014 during construction of the new office space at Mavis Yard, to accommodate the Advanced Traffic Management System (ATMS) there was an urgent need to store traffic signal equipment. The Project Manager secured four storage lockers from

a public storage facility across the street from Mavis Yard using a Procurement card for payment. Although it was in a preferable location, a commercial storage facility should have been selected, and only for the period of time required for the renovation. At the completion of the renovation, staff determined that the storage space was still required because previous space at Mavis Yard had been taken up with the addition of a new staircase and larger office space.

The monthly rental in 2014 was approximately $1,000 and the yearly total was $11,692.59, which made this a medium value acquisition. Rental fees on the storage units increased from year to year and in 2018 the total charges were $23,786.61, well beyond the $10,000 Low Value Acquisition threshold. During the course of the audit we discovered that new Traffic Signal Controller Cabinets were expected to be delivered to the public storage facility this fall. The total acquisition for these cabinets was in excess of $1 million, but the insured value on each storage locker was only $5,000. The audit recommended that the contracts with the storage facility be cancelled and the existing equipment in the lockers be inventoried and moved to a secure City-owned facility. The Manager of Space Planning was contacted and arrangements were made to relocate the usable equipment. The City then terminated the storage contracts, and moved the equipment to a secure City-owned facility.

Agreements

Traffic Signals and Systems is currently in the process of leading the new Tri-Party Agreement with the City of Brampton and the Region of Peel to select a contractor for the preventative and demand maintenance of the signalized intersections. The City of Brampton led the previous tri-party procurement in 2014 with the contract being awarded in early 2015. As of August of this year there are 787 signalized intersections within Mississauga; of these, 562 are owned by the City of Mississauga, 166 belong to the Region of Peel, 42 are owned by the Ministry of Transportation Ontario, 11 are owned by Halton Region and 6 are the property of the Greater Toronto Airports Authority (GTAA). Up-to-date traffic signal maintenance and operation agreements are in place with the Ministry of Transportation Ontario and the Region of Peel.

Currently, Works Operations and Maintenance is working on a boundary road agreement with Halton. The agreement will clarify terms for road maintenance services including street sweeping, snow plowing, sidewalk maintenance and emergency and routine operation and maintenance of traffic control signals. Although Halton Region owns 11 signalized intersections, only one is on a City of Mississauga boundary road; the other ten are on Region of Peel boundary roads. Once the agreement is signed, Traffic Signals and Systems will begin invoicing Halton for traffic signal services.

We were unable to find an agreement in place for the Greater Toronto Airports Authority. There are, however, yearly invoices and backup documentation as far back as 2003 charging the GTAA for yearly preventative and emergency maintenance, including the charge for utilities, controller cabinet parts and a 10% administration fee. Only three of the six GTAA intersections are located on a City of Mississauga boundary road. The audit recommends that Traffic Signals and Systems execute a road boundary agreement with the Greater Toronto Airports Authority to formalize cost-sharing at the three intersections for the building, operation and maintenance of signalized intersections.

Energy Management

The Energy Management Section of Facilities and Property Management currently tracks the consumption, costs and taxes for signalized intersections. The City is billed a flat rate based on calculated load (number of signals x load for each signal). The average daily consumption cost for the 562 City-owned signalized intersections is approximately $500. When a new signalized intersection is provided power, Alectra only asks how many Light Emitting Diode (LED) signals are located at the new intersection. The traffic signals are not metered at the present time and we are unsure how much kWh of energy they actually use. Internal Audit recommends that Energy Management staff provide support to Traffic Signals staff to validate the energy consumption fees and charges for the LED traffic signal infrastructure.

Safeguarding Information

Review of the network drive and the ATMS system showed that access for a number of individuals should be removed. A request to Information Technology Security to update the access lists was made by management during the course of the audit. Access to secure rooms within Traffic Signals and Systems was authorized by the Project Manager. Corporate Security is working with the Manager of Traffic Signals and Systems to ensure that, for business continuity purposes, at least two staff may authorize access. We have recommended the Traffic Signals and Systems Section review facility, system and network access on a yearly basis to ensure that it is kept up to date to minimize the risk of access by someone who does not require it to perform their duties.

Currently Traffic Systems is working with a vendor and has set up a proof of concept using sensors along Dundas Street to collect real-time traveller information. The data is used to analyze traffic network performance, and may be used to display travel time information on roadside message boards. If a vehicle has a device with Bluetooth turned on and it passes a sensor, a Bluetooth traffic monitoring device scans and collects a Media Access Control (MAC) address. The audit had a concern regarding the information being collected; however, the supplier stated in an e-mail that the potential for the unauthorized use of personal information is highly unlikely. We recommended a Privacy Impact Assessment be done to ensure strict controls over access to this information are adhered to, and to ensure compliance with the Municipal Freedom of Information and Protection of Privacy Act. The Access and Privacy Office determined that a full Privacy Impact Assessment was not required; however, they did provide seven (7) recommendations.

CONCLUSION

The focus of this audit was on business processes, compliance with contracts/agreements, payments and third party recoveries, inventory safeguarding, and energy management monitoring, as well as compliance with Provincial regulations, industry standards and applicable By-laws, Corporate Policies and Procedures.

In total, the audit has resulted in twenty-four (24) recommendations and management has agreed to all of them. Eleven (11) recommendations are made regarding compliance with and clarification of corporate requirements, eight (8) recommendations are put forward to strengthen

operational control and financial reporting, two (2) recommendations relate to improving the efficiency and effectiveness of business operations and three (3) relate to the safeguarding of assets and information. Eight (8) recommendations were completed during the audit, three (3) are scheduled for completion by the end of December 2019, eight (8) of the recommendations will be completed by March 31, 2020, four (4) by December 31, 2020 and one (1) date is yet to be determined as it necessitates discussion with staff in Energy Management to determine the scope of work required.

Craig Emick, CIA, CGAP, CISA, CISM, CRISC
Information Technology Auditor

Auditor: Barb Webster, BAA, PMP
Senior Internal Auditor

Transportation & Works Department
Traffic Management and Municipal Parking Division
Traffic Signals and Systems Program Audit
Summary of Audit Recommendations

Rec	Recommendation	Priority (H/M/L)	Comments/Status	Classification
1	That the SmartStop Mavis be given 30 days' written notice, the premises vacated and the contracts cancelled.	H	Management agreed. On September 20, 2019, the City terminated its contracts with the Smart Stop storage facility, all units were emptied and reusable equipment was relocated to a City facility. Completed	Compliance with and Clarification of Corporate Requirements
2	That Facilities and Property Management be tasked with arranging storage for Traffic Signal equipment in a secure, City facility.	H	Management agreed. During the course of the audit the Manager of Space Planning was contacted and arrangements were made to relocate the equipment to the old Central Stores facility. Completed	Safeguarding of Assets and Information
3	That unscheduled work performed by the contractor be analyzed for anomalies and patterns, such as timing, overtime hours, material and equipment used and tasks performed. Corresponding invoices should be scrutinized for justification and reasonableness.	H	Management agreed. Technical staff do monitor the contractor and analyze the data on a regular basis; however, a higher order analysis by a Business Analyst (observing for trends, etc.) would be desirable. To be completed by December 31, 2020	Operational Control and Financial Reporting
4	That Traffic Signals staff work with the contractor to standardize data entry and create drop-down pick lists to ensure consistency of data input. Data could then be used for a higher level quantitative analysis, long-range planning, budgeting and sound business decisions.	M	Management agreed. Staff do correct and analyze data to monitor the infrastructure; however, a higher level analysis in this area by a Business Analyst would be desirable. To be completed by March 31, 2020	Efficiency and Effectiveness

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Summary of Audit Recommendations

5	That the Excel spreadsheet provided by the vendor be amended to add a column for Locate ticket number for ease of verification by staff, and to ensure that only scheduled preventative maintenance be initiated by the contractor.	M	Management agreed. Ticket number from Ontario1call to be added to Excel database with the new tri-party maintenance procurement. To be completed by March 31, 2020	Operational Control and Financial Reporting
6	That, upon receipt of a renewal insurance certificate, staff must ensure the coverage aligns with the contract in place.	H	Management agreed. A renewal certificate was obtained with the proper coverage. Completed	Compliance with and Clarification of Corporate Requirements
7	That the serial number of equipment taken by the contractor for repair be noted on the Excel spreadsheet.	H	Management agreed. This will be completed after implementation of the new tri-party maintenance procurement. To be completed by March 31, 2020	Operational Control and Financial Reporting
8	That recycling certificates be supplied for batteries, lights, arms and/or poles that were removed by the contractor for replacement.	H	Management agreed. Will ask vendor for proof of recycling (ie. recycling certificates) once the new tri-party maintenance procurement has been implemented. To be completed by March 31, 2020	Compliance with and Clarification of Corporate Requirements
9	That Traffic Signals and Systems execute an agreement with the Greater Toronto Airports Authority for cost sharing at the intersections of boundary roads for building, operation and maintenance of signalized intersections.	M	Management agreed. To be completed by December 31, 2020	Operational Control and Financial Reporting
10	That Energy Management staff in Facilities and Property Management provide support to Traffic Signals staff in validating the fees and charges for the LED traffic signal infrastructure.	H	Management agreed. Energy Management is already working with Alectra in a process review regarding flat billing and will support Traffic Signals staff on this initiative. Due date to be determined after initial meeting on November 28, 2019.	Operational Control and Financial Reporting

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Traffic Management and Municipal Parking Division
Traffic Signals and Systems Program Audit
Summary of Audit Recommendations

11	That Traffic Signals and Systems staff be reminded that access to the contractor area is for work purposes only.	M	Management agreed. Staff were reminded in an e-mail from the Manager of Traffic Signals and Systems during the course of the audit. Completed	Compliance with and Clarification of Corporate Requirements
12	That the punch key lock combination to the "clean" room at Mavis Yard be changed on an annual basis or each time there is a staff change (retirement, termination, etc.).	M	Management agreed. Will work with Corporate Security to arrange. To be completed by December 31, 2019	Compliance with and Clarification of Corporate Requirements
13	That management complete a physical count of the inventory formerly stored in the SmartStop Mavis and determine the value and reporting requirements.	H	Management agreed. An inventory was completed and reusable equipment was relocated to the FPM warehouse. The value was reported to Corporate Finance. Completed	Operational Control and Financial Reporting
14	That consideration be given to Traffic Signals staff engaging the Environment Section of Community Services to discuss the impact of a changing global climate and how to increase their resilience.	M	Management agreed. To be completed by March 31, 2020	Safeguarding of Assets and Information
15	That equipment that is no longer used or of value be removed and either be recycled, if possible, or disposed of.	M	Management agreed. On September 20, 2019, a comprehensive inventory was completed and old, unused equipment was disposed of. Completed	Compliance with and Clarification of Corporate Requirements
16	That Materiel Management and Information Technology be contacted to investigate the most cost-effective and environmentally-friendly way to dispose of the old traffic controllers.	M	Management agreed. A vendor was selected and authorization has been given to Information Technology to have the old traffic controllers' hard drives shredded and the metal cabinets recycled. Completed	Compliance with and Clarification of Corporate Requirements

Transportation & Works Department
Traffic Management and Municipal Parking Division
Traffic Signals and Systems Program Audit
Summary of Audit Recommendations

17	That new standard operating procedures be reviewed, updated as required and signed off by Management on a yearly basis.	H	Management agreed. SOP's will be completed by December 31, 2020.	Compliance with and Clarification of Corporate Requirements
18	That access to network drives, SharePoint and the ATMS system be reviewed and updated on an annual basis.	H	Management agreed. Completed	Safeguarding of Assets and Information
19	That the manager be added to the list of staff who grant access to the secure areas at Mavis Yard in the event of an unexpected absence or vacancy.	H	Management agreed. Currently working with Corporate Security staff on access lists and requirements. To be completed by December 31, 2019	Safeguarding of Assets and Information
20	That standard locates at the same intersection within a day or two of each other be completed on the same day and the additional locates be charged at a lower unit price.	H	Management agreed. This will be addressed in the new tri-party maintenance procurement. The first standard locate is a set price and any additional locates will be billed at a lower "office locate" unit price. To be completed by March 31, 2020	Operational Control and Financial Reporting
21	That there be a maximum amount set that the contractor can charge for an emergency locate, and any further work must have agreement from a City representative.	H	Management agreed. In the new tri-party maintenance procurement it states that emergency locates will be billed at a set unit price per intersection during regular hours and a second set unit price for overtime hours. To be completed by March 31, 2020	Operational Control and Financial Reporting
22	That emergency service levels be set to a reasonable timeframe, taking into consideration time of day and traffic congestion.	H	Management agreed. The response time will be changed to 1½ hours in the upcoming tri-party maintenance contract. The contractor must detail a reason for the delay on the invoice if the service level is not met. To be completed by March 31, 2020.	Compliance with and Clarification of Corporate Requirements

Transportation & Works Department
Traffic Management and Municipal Parking Division
Traffic Signals and Systems Program Audit
Summary of Audit Recommendations

23	That Traffic Signals and Systems management develop and document Standard Operating Procedures (SOP's) for key business processes including roles and responsibilities, business rules and procedures.	H	Management agreed. To be completed by December 31, 2020	Compliance with and Clarification of Corporate Requirements
24	That the seven recommendations made by the Access and Privacy Office in the Privacy Impact Assessment are assigned to a Person Most Responsible (PMR) and due dates assigned to ensure completion.	H	Management agreed. To be completed by December 31, 2019	Compliance with and Clarification of Corporate Requirements

APPENDIX 2

City of Mississauga

Internal Audit Report

TRANSPORTATION AND WORKS DEPARTMENT
INFRASTRUCTURE PLANNING & ENGINEERING SERVICES DIVISION
STORMWATER REVENUE AUDIT

November 13, 2019

City Manager's Department
Internal Audit Division

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Appendix A – Summary of Recommendations

TRANSPORTATION AND WORKS DEPARTMENT
INFRASTRUCTURE PLANNING AND ENGINEERING SERVICES DIVISION
STORMWATER REVENUE AUDIT

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KPMG LLP, Chartered Accountants, External Auditor

Transportation and Works Department
Infrastructure Planning & Engineering Services Division
Stormwater Revenue Audit

BACKGROUND

The Stormwater Charge Program is administered by the Environmental Services Section within the Transportation and Works Department, Infrastructure Planning and Engineering Services Division. In addition to this team, there are Citywide service areas that help support the stormwater program such as Information Technology, Finance, Revenue & Materiel Management, Geospatial Solutions, and Planning and Building.

The Stormwater Charge Unit is located at 201 City Centre Drive, 8th floor. Their primary responsibility is supporting and managing the stormwater charge program and any related stormwater fees and charges. This unit is primarily made up of a Manager, Environmental Services, a Stormwater Charge Program Coordinator, an Infrastructure Management Specialist, and a Storm Drainage Technologist.

The stormwater charge was established in January 2016 as a user fee levy separate from property taxes for residents and businesses. The City's stormwater charge is placed on the Region of Peel water/wastewater bill in order to make billing more efficient and cost-effective. While the Region of Peel is the billing service provider for the stormwater charge, the administration and structure of the charge is the responsibility of the City of Mississauga.

The stormwater charge supports City activities such as:

- storm sewer, stormwater management facility and watercourse inspections and maintenance;
- stormwater asset management, capital programming and project delivery;
- storm sewer By-law enforcement;
- rainfall monitoring; and
- outreach and education programs.

This was the first comprehensive audit for this area. The goal of this audit was to ensure processes are efficient and effective, controls are in place, information and assets are safeguarded, and that staff have access to training and operational procedures.

During the development of the stormwater charge program, the charge was initially set to fund an interim stormwater service level and would increase over time to attain a sustainable service level, which would allow for all stormwater program needs to be fully funded.

Below are some general statistics regarding the stormwater program:

Finance

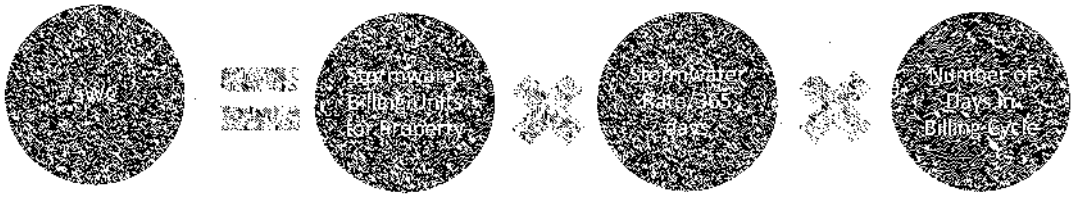
- approximately 145,000+ Property Identification Numbers (PIN) for billing purposes
- 2018 stormwater rate revenues generated approximately $42.5 million
- 2018 technical exemptions and credits were approximately $1.2 million

- 2018 subsidies issued were approximately $560 thousand
- 2018 Region of Peel administration expenses were approximately $450 thousand

Infrastructure

- 2,100+ kilometres of storm sewer pipes
- 51,000+ catch basins
- 250+ kilometres of ditches
- 32 creeks
- 62 stormwater management facilities that help collect, drain and clean the city's rainwater runoff before it enters Lake Ontario

The stormwater charge is collected through the Region of Peel's water bill program and payments are remitted to the City on a quarterly basis. The charge is identified on the bill as a **Stormwater Charge (SWC)** and is calculated as follows:



All types of properties (i.e. residential, multi-residential or non-residential) use the same SWC calculation.

Stormwater billing units are determined in two ways:

1. For residential properties, Geospatial Solutions uses aerial images to determine the rooftop area in square metres, as a predictor of the total hard surface area. The square metres are then converted into Single Family Units (SFU) by dividing square metres by 267. Square metres under 26.7 are assigned zero SFU. A property's SFU is then charged a stormwater billing rate. A single stormwater billing unit (1.0 SFU) is equivalent to the average total impervious area found on detached single family residential parcels in Mississauga. Assessments of stormwater charge are updated annually and each property is categorized as smallest, small, medium, large or largest.
2. For multi-residential and non-residential properties, the total hard surface area of each property is individually assessed.

The stormwater rate is reviewed annually and approved by Council as prescribed in the Stormwater Fees & Charges By-law 135-15 (with annual rate amendments). The approved rate for 2019 of $106.10 per SFU took effect as of April 1, 2019. The number of days in the billing cycle will vary; therefore stormwater charges will differ on each bill.

The City also provides stormwater exemptions, credits and subsidies to eligible recipients to help offset the stormwater fees. Types of exemptions, credits and subsidies include:

- Legal Exemption: For properties owned and operated by entities that are exempt from the charge by legislation such as Crown, federal agencies, school boards, and Metrolinx.
- Technical Exemption: For properties that can be demonstrated to drain into another jurisdiction (Lake Ontario, neighbouring municipality).
- Technical Credit: For properties that have implemented stormwater and/or pollution prevention best management practices (4 categories) to reduce impacts to the City's stormwater infrastructure by controlling the quantity and quality of stormwater leaving their property.
- Subsidy: For low income seniors and persons with disabilities, places of worship, veterans' organizations, working farms, and adhoc Council resolutions such as Hickory Drive.

SCOPE

This audit focused on stormwater revenue generated from January 2018 to July 2019, including stormwater charge-related processes.

The areas covered in the audit included all current practices at the City over the billing and collection of stormwater charges, access to City systems (Infor, TXM, SAP, other) used to support stormwater assessment and rates, and the retention and collection of stormwater funds.

The audit excluded assessment of stormwater assets including sewer pipes, drainage systems, facilities, etc. It also excluded the collection processes at the Region of Peel which manages this service on behalf of the City through the Region's water/wastewater bill system.

OBJECTIVES

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. The purpose of the audit was to ensure that:

A. Applicable legislation and Corporate and Departmental Policies and Procedures are adhered to with respect to the billing and collection of stormwater charges.
B. There is timely and accurate billing and collection of stormwater charges.
C. Revenue, payments from third parties (e.g. Region of Peel), and exemptions, credits, and subsidies are properly reflected in the General Ledger.
D. Access to systems for data input, approval and review is restricted to authorized staff.
E. There is funding for the long-term maintenance and replacement of stormwater infrastructure and supporting programs.

SUMMARY OF OBSERVATIONS

This was the first comprehensive audit for the stormwater charge program. The stormwater charge levy program was introduced in 2016, and the program has now gone through more than three years of billing activity.

The stormwater charge program was complex, with many supporting processes that required review. The observations and recommendations noted in the audit were primarily administrative in nature with no critical recommendations. The program is running well and these recommendations are opportunities for further improvement that would strengthen existing controls and processes.

(Objective A) Legislation, Corporate and Departmental Policies and Procedures

A number of legislative documents were reviewed during the audit including By-laws, a Service Level Agreement with the Region of Peel, and various operational procedures (i.e. guidelines, manuals, rule books). Processes have evolved over the first three years of the program, which caused some misalignment with the original program documents. Some documents required more information regarding processes and controls while others needed realignment with existing practices. Although there were some operational guidelines in all service areas in different formats, we recommend that they be converted into standard operational procedures (SOP's) which are reviewed and approved annually by management. In some cases, new SOP's are recommended for key processes.

The Stormwater By-law 135-2015 should be reviewed and updated to reflect current processes and practices, including assigning specific staff to carry out certain responsibilities.

The Service Level Agreement (SLA) should be reviewed and updated to reflect current and updated processes, practices and reporting requirements. The audit identified a number of reports within the SLA that were no longer used, or the frequency of reports had changed. The audit also identified opportunities for new or more detailed reports for operational and financial management purposes.

The audit identified that training was provided in some areas at the start of the stormwater program. To ensure continuity of the program during an absence or vacancy, backup support positions (buddy system) should be set up to support all positions where possible. Some areas have assigned backup support while other areas fill support as required (relying on other team members for assistance when needed). Refresher training should be provided to all frontline and backup staff supporting the stormwater charge program.

(Objective B) Timely and Accurate Billing and Collection of Stormwater Charges

To help ensure stormwater accounts are billed accurately and timely by the Region of Peel, property pin to pin reconciliations is the main control tool/process. The City should continue to receive quarterly sample bills from the Region to verify the billing accuracy. Sample bills were initially provided to the City during system implementation but were discontinued after successful Go-Live testing.

The audit identified a number of manual stormwater processes, which could lead to human error. If these manual processes cannot be automated, management or a segregated designated position should review and validate the information before it is uploaded into Infor. Although no manual errors were found during testing, it is good practice to have an independent review of all manual work for accuracy and timeliness.

Also due to the number of manual processes, Stormwater Operations, Geospatial Operations and Information Technology should explore automation to transfer information directly to the Region of Peel or to transfer information automatically from the geospatial system to Infor.

The audit identified that the Service Level Agreement (SLA) regarding write-offs requires updating to reflect current Region standards (i.e. write-offs under $75). The $75 or more threshold to add uncollectible accounts to the City's tax roll should also be investigated with the Region to see if there are opportunities to lower the threshold.

The audit found that there was no process guidance within the By-law or existing policies for appeals and adjustments. At the start of the program, Stormwater Operations created a rule book with appeal and adjustment guidelines, however these process guidelines should be formalized within a new or existing policy and step-by-step instructions outlined within standard operating procedures.

(Objective C) Revenue, payments from third parties (e.g. Region of Peel), and exemptions, credits, and subsidies are properly reflected in the General Ledger

Currently, all adjustments are posted against the same revenue line. To strengthen stormwater accounting and reporting, all adjustments such as technical exemptions, credits, and subsidies should be separated by different expense accounts.

The impervious area assessment is a manual visual assessment performed from an aerial image and is compared to last year's assessment for changes. Adjustments such as credits, subsidies and exemptions involve manual calculations and entry. Geospatial Solutions and Stormwater Operations management should review and approve any manual property adjustment or pin changes before uploading to the Infor System to help ensure accuracy and timeliness.

The Region provides a high level summary of the administrative expenses (i.e. labour, services contracted out, supplies, telephone, etc.) with each quarterly payment. However, we believe more detailed information would be helpful to validate against SLA requirements such as position breakdowns, contracted services breakdowns, etc.). The SLA should be modified to provide more detailed information on specific eligible expenses.

(Objective D) Access to system for data input, approval and review is restricted to authorized staff

When the stormwater program was initiated in 2016, a preliminary privacy review was conducted by the project team as processes were designed and set up. Some processes and staff have changed since its inception. It is important that there be a continued focus on privacy and access controls.

During the audit, sensitive information was identified within the stormwater directories, shared folders, and secured networks. This information should be restricted to active users who need access to the information in order to perform their job responsibilities. The audit also noted that some staff had moved on to new positions or left the City, yet still had access to the systems and directories.

(Objective E) There is funding for the long-term maintenance and replacement of stormwater infrastructure and supporting programs

The Manager, Business and Customer Service advised that prior to this audit, there were a number of initiatives already underway to address concerns such as improving the Development Charge Module in the MAX System, improving/enhancing the Supplementary Permit Application Form, position changes to provide a more dedicated focus on development charge responsibilities, and initiating a development charges process review.

During the audit, we identified one Stormwater Capital Reserve Fund which was not receiving a portion of the interest allocation at year-end. The City did receive all of the interest earnings, but the interest pool was allocated across other designated discretionary Reserve Funds.

CONCLUSION

The Stormwater Charge Program has sufficient controls implemented for the recording, monitoring and reconciliation of revenues. The program has evolved and grown over the past three years; we have made a number of recommendations to further strengthen the existing controls and processes, and are recommending some new controls. The recommendations are primarily administrative in nature and are intended to improve management oversight, strengthen processes, and provide clearer guidance to staff on business protocols and procedures to mitigate risks to the City.

A total of 40 recommendations resulted from this audit. Seventeen (17) recommendations related to operational control and financial reporting, five (5) address compliance with and clarification of corporate requirements, three (3) improve safeguarding of assets and information, and fifteen (15) enhance efficiency and effectiveness.

Management has agreed to all the recommendations and four (4) were completed during the audit. Three (3) recommendations will be completed by December 31, 2019, sixteen (16) by March 31, 2020, seven (7) by June 30, 2020, one (1) by September 30, 2020 and the remaining nine (9) by December 31, 2020.



Craig Emick, CIA, CGAP, CISA, CISM, CRISC
Information Technology Auditor

Auditor: Mark Beauparlant, BA, CGA
Senior Internal Auditor

Transportation and Works Department
Infrastructure Planning & Engineering Services Division
Stormwater Revenue Audit
Summary of Audit Recommendations

Rec	Recommendation	Priority (H/M/L)	Comments/Status	Classification
1	That the Stormwater Fees and Charges By-law 135-2015, including Sections 23 to 27, be reviewed and updated to ensure that the By-law reflects current practices, and that there are assigned delegations for tasks, including a provision giving the Region the authority to write off uncollectible amounts.	H	Environmental Services, in consultation with Legal Services, will review and update the current By-law. December 31, 2020	Compliance with and Clarification of Corporate Requirements
2	That post-inspection audits (i.e. samples) for stormwater credits be performed on an annual basis to ensure the applicant remains compliant with terms of credit.	M	Post-credit spot inspections will be undertaken by Environmental Services on up to 10% of the credited properties annually. June 30, 2020	Operational Control and Financial Reporting
3	That the Service Level Agreement (SLA) be reviewed and refreshed annually to ensure it reflects current practices, assigned roles/delegations, and current reporting requirements. The SLA should also be amended to include: a. Provision for late payments by Region to City and applicable interest rate; and, b. Current Region collection and write-off practices.	H	Environmental Services and Legal Services initiated an update to the Service Level Agreement (SLA) with the Region in 2019. This process was placed on hold pending the completion of this audit. Staff will take into account the recommendations from the audit when the update to the SLA is reinitiated. December 31, 2020	Compliance with and Clarification of Corporate Requirements
4	That quarterly sample audits (three residential and three non/multi-residential) be conducted by the City on Regional billings as recommended in the Service Level Agreement.	H	Quarterly sample audits will be conducted by Environmental Services. March 31, 2020	Operational Control and Financial Reporting
5	That the By-law, three policies, and rule books be reviewed and aligned with each other to avoid repetition of same information, including further recommendations below: • Subsidy Policy be amended to include provisions for Council- approved subsidies for unforeseen events such as the Hickory Drive explosion or weather events.	H	Environmental Services, in consultation with Legal Services, will review and update the identified documents as recommended. December 31, 2020	Compliance with and Clarification of Corporate Requirements

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	• Subsidy Policy refer to the Tax Rebate By-law 0229-2017 for detailed low income subsidy eligibility requirements. • Credits Policy be amended to include a provision for suspending or cancelling credits for any delinquent accounts added to monthly tax roll or written off. • Exemption requirements be added to the By-law and new/existing policy. • Appeal process and guidelines be added to a new/existing policy.			
6	That all stormwater charge program process maps be refreshed annually with current practices.	L	Process flow maps will be reviewed, updated and created where necessary. This requires collaboration with internal partners, i.e. Infor, Tax, Geospatial Solutions, etc. December 31, 2020	Efficiency and Effectiveness
7	That a critical task checklist of all daily, monthly, quarterly and annual stormwater key tasks be created, and that there be a corresponding standard operating procedure (SOP) for each.	L	Environmental Services will develop a checklist of key tasks. March 31, 2020	Operational Control and Financial Reporting
8	That individual standard operating procedures (SOP) be created and approved by management annually for all critical stormwater charge processes, including the following requirements: • Administration of adjustments (exemptions, credits, subsidies). • Geospatial Solutions processes. • Revenue Division processes as they relate to Tax, Rebates, and Assessment Sections. • Tax rebate SOP should include a service level standard for staff and supervisor review and approval throughout the tax rebate process to ensure timeliness of processing. • Develop a procedure for cancelling or suspending	H	Tax Accounting, Rebate, and Assessment Sections will update standard operating procedures annually with supervisor approval. December 31, 2019/ December 31, 2019/ June 30, 2020 Environmental Services will create standalone standard operating procedures (SOP's) for critical stormwater charge-related processes. Many of the SOP's are currently embedded in the rule books. SOP's will be reviewed with management annually.	Compliance with and Clarification of Corporate Requirements

Transportation and Works Department
Infrastructure Planning & Engineering Services Division
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Summary of Audit Recommendations

	credits for those delinquent accounts added to tax roll or written off. • Other critical processes.		December 31, 2020 T&W Finance will complete SOP's for all the major tasks. December 31, 2019 Geospatial Solutions agrees with the recommendations and will convert procedures to an IT SOP format and review annually. December 31, 2019 Infor Team will develop the SOP's and schedule for management review. December 31, 2019	
9	That each service area supporting the stormwater charge process create a dedicated directory and naming convention for all procedures for easy reference and training of staff.	L	Environmental Services will create a dedicated directory and naming convention for all procedures. June 30, 2020	Operational Control and Financial Reporting
10	That cross-training and designated backup roles be assigned for all stormwater-related positions in each of the service areas, and that refresher training be offered to staff periodically to ensure any process/policy changes are communicated and understood.	H	Environmental Services will develop and implement a procedure for cross-training staff to take on backup roles on key stormwater-related positions. September 30, 2020 Geospatial Solutions cross-training and backup roles will be completed. December 31, 2019	Operational Control and Financial Reporting

Transportation and Works Department
Infrastructure Planning & Engineering Services Division
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			Tax Assessment Section will set up training and backup positions. June 30, 2020	
11	That property pin to pin reconciliations be reviewed and approved by Environmental Services Management and that reconciling items are followed up with the Region for investigation and correction.	M	The Environmental Services Manager or designate will be copied on the email to the Region after the pin to pin reconciliation is reviewed by the Stormwater Charge Program Coordinator. The Environmental Services Manager or designate will assess the email communication for reasonability and timeliness and follow up on any questions. Completed	Operational Control and Financial Reporting
12	That the City consult with the Region to see if stormwater billing period dates can be added to the quarterly bills to help residents understand how their billing days were calculated since last billing.	L	Environmental Services staff will consult with the Region of Peel to investigate the feasibility of including billing period dates. June 30, 2020	Efficiency and Effectiveness
13	That Geospatial Solutions explore the opportunity to acquire twice a year imagery and planemetric data to support impervious area assessment.	L	Geospatial Solutions suppo ts the recommendation to explore the implementation of twice a year imagery. December 31, 2020	Efficiency and Effectiveness
14	That each section's management review and approve all manual and electronic processing changes and updates on a daily basis.	H	Environmental Services management agreed to perform up to 20% spot checks at least once a week to validate bias in daily operations by Stormwater Charge Program Coordinator and to ensure the processes are being followed. March 31, 2020	Operational Control and Financial Reporting

Transportation and Works Department
Infrastructure Planning & Engineering Services Division
Stormwater Revenue Audit
Summary of Audit Recommendations

			Per Geospatial Solutions, manually checking every manual change is not feasible. At least once a week, a random 20 % sampling of changes will be approved by the Data Management Supervisor. December 31, 2019	
15	That Stormwater Operations staff explore with Geospatial Solutions Operations staff and Information Technology, direct automation to the Region (Geo System to Region) or internal automation (Geo System to Infor), minimizing manual processes.	M	Environmental Services will explore opportunities with our partners. December 31, 2020 Geospatial Solutions supports the recommendation to explore improved automation to improve efficiency. December 31, 2020	Efficiency and Effectiveness
16	That Geospatial Solutions Operations train Stormwater Operations staff on the new ESRI system which is replacing Microstation for Geospatial Solutions mapping.	L	Geospatial Solutions supports the recommendation. This will be a part of the transition to ESRI. December 31, 2020	Efficiency and Effectiveness
17	That the Region provide a quarterly report for any retroactive payment adjustments to the City.	M	Environmental Services will consult with the Region on quarterly reporting. March 31, 2020	Operational Control and Financial Reporting
18	That all credit and subsidy applications with expiry dates be reviewed on a regular basis to ensure the adjustments are applied to or removed from Infor for billing purposes.	M	All credit and subsidy applications with expiry dates will be reviewed regularly to ensure the adjustments are applied to or removed from Infor for billing purposes. March 31, 2020	Operational Control and Financial Reporting

Transportation and Works Department
Infrastructure Planning & Engineering Services Division
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19	That the tax rebate application form be amended to state that T4A OAS box 21 reflects the Guaranteed Income Supplement payments for the year, and that the box must have a balance greater than zero dollars to be eligible.	L	The application form will be updated when stock is to be replenished to read, "For Guaranteed Income Supplement (GIS) recipients T4A (OAS) slip reflecting GIS payments in box 21 must be submitted with your application." This will clarify the requirement for an amount to be shown in box 21. Procedures will be updated to indicate that staff must confirm the amount in box 21 is greater than zero. December 31, 2019	Efficiency and Effectiveness
20	That the Supervisor review and sign off on the farm subsidy calculations.	H	This procedure will be reviewed to determine the appropriate accountability for providing farm property information and subsidy calculations, and associated approvals. June 30, 2020	Operational Control and Financial Reporting
21	That Single Family Home (SFH) inspection forms for technical exemptions be reviewed and approved by someone independent from the individual completing the inspection and exemption calculation form.	H	Environmental Services management agreed to perform annual spot checks of up to 20% of technical exemption applications. March 31, 2020	Operational Control and Financial Reporting
22	That all manual inspection forms be saved in electronic format (i.e. S: drive) for record-keeping and audit purposes.	L	All manual inspection forms will be saved in electronic format for record-keeping and audit purposes. March 31, 2020	Efficiency and Effectiveness
23	That there is consideration to lower the threshold for uncollectible accounts to be added to the tax roll rather than writing off.	L	Environmental Services will consult with T&W Finance and the Region regarding this recommendation. March 31, 2020	Efficiency and Effectiveness

Transportation and Works Department
Infrastructure Planning & Engineering Services Division
Stormwater Revenue Audit
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24	That the resolution codes within the Service Request be standardized for easy reference such as "accepted" and "declined."	L	Environmental Services will work with Infor team to request changes to the resolution codes. June 30, 2020	Efficiency and Effectiveness
25	That Stormwater Operations develop a mechanism to calculate T&W Fees and Charges under By-law 0226-2018 (Environmental Services Section) to be paid at the T&W Payment Counter, and that the T&W Payment Counter not accept any payments without an authorized form from a City department breaking down all the fees and units included in the payment.	M	Environmental Services agrees with the recommendation to implement a pre-approval process/form for Erosion & Sediment Control permit fees. March 31, 2020	Operational Control and Financial Reporting
26	That stormwater adjustments (technical exemptions, credits) be recorded as separate expense elements rather than netting against the revenue element. This will also align with Budget reporting.	M	T&W Finance will work with Corporate Financial Planning to review this recommendation for new expense accounts. June 30, 2020	Operational Control and Financial Reporting
27	That the Service Level Agreement (SLA) be amended to be explicit on actual costs to be charged back to the City (i.e. labour by position, contractors, types of office expenses, etc.) and that the Region provide full expense details and breakdown for eligible charges (by position, by contractor, by expense) with each quarterly payment to help the City validate charges against the SLA.	M	Environmental Services, T&W Finance and Legal Services will work with the Region to address this recommendation regarding Regional administration costs. June 30, 2020	Compliance with and Clarification of Corporate Requirements
28	That the unused $50,000 contingency budget in Cost Centre 23745 be reviewed to determine if it is still required.	L	The $50,000 contingency in Cost Centre 23745 under element 715889 has been removed as part of the 2020 budget cycle. Completed	Operational Control and Financial Reporting
29	That a formal reconciliation of stormwater revenues between the City and the Region be completed on a quarterly basis and approved by the Supervisor.	M	Finance has converted the informal reconciliation process to a formal reconciliation in 2019. Completed	Operational Control and Financial Reporting

Transportation and Works Department
Infrastructure Planning & Engineering Services Division
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Summary of Audit Recommendations

30	That T&W Finance follow up with the Region to modify the columns and rows within the Stormwater Quarterly Actual Billings by Date Report.	M	The report has been corrected in 2019. Completed	Efficiency and Effectiveness
31	That user access lists for all the related SFTP sites be reviewed and updated annually.	H	Information Technology (IT) Management agrees with the recommendation. December 31, 2019	Safeguarding of Assets and Information
32	That a dedicated library be set up within the network directory and stormwater SharePoint site for stormwater files which is only accessible to those who require access to the information, and that IT Security access lists be reviewed and updated annually to ensure only approved employees have access to stormwater files.	H	Environmental Services will set up a dedicated and secure library. March 31, 2020	Safeguarding of Assets and Information
33	That a Privacy Impact Assessment Review be completed by the Clerk's Office to ensure stormwater privacy requirements are being fulfilled.	M	A Privacy Impact Assessment Review will be completed by the Clerk's Office to ensure stormwater privacy requirements are being fulfilled. March 31, 2020	Safeguarding of Assets and Information
34	That a review of all Reserve Funds be completed to determine which Reserve Funds should be sharing in the interest allocations at year-end.	M	Financial Strategies agrees with the recommendation. December 31, 2019	Operational Control and Financial Reporting
35	That Development Services continue to explore opportunities through MAX to automate the many manual Development Charge processes and calculations.	M	MAX module has been developed and is currently in testing as of October 8, 2019, with the intention of being fully implemented by November 1, 2019. This will automate calculations, receipt generation, approval and reporting processes. All records will now be stored digitally, either within the database as records, within ePlans as related to building permits, or within	Efficiency and Effectiveness

Transportation and Works Department
Infrastructure Planning & Engineering Services Division
Stormwater Revenue Audit
Summary of Audit Recommendations

			SharePoint for supporting documentation. March 31, 2020	
36	That a LEAN review be performed on the Development Charge (DC) process and various forms used to ensure they are efficient and streamlined.	M	Development Charge (DC) process review was initiated on October 1 as part of a candidate development opportunity, which will involve processes associated with stormwater management fees. December 31, 2020	Efficiency and Effectiveness
37	That the various forms be consolidated into one standard format and contain all required information and calculations for payment purposes.	M	Draft versions of a Supplementary Building Application Form have been developed in an effort to consolidate, among others, DC-related information. This form will be completed and authorized by individuals meeting requirements as outlined in the Building Code Act (i.e. Architect, Designer, Engineer). March 31, 2020	Efficiency and Effectiveness
38	That the Zoning Manager review and approve the Declaration Form after Zoning Officer initial review before submitting to Development Services for review and payment calculations.	M	Previous Development Services Analyst role has been converted to Building Services Technologist which will now be responsible for complete review requirements in order to determine Development Charges (DC's), therefore no longer relying on zoning-related staff. Job posting is imminent. March 31, 2020	Operational Control and Financial Reporting

Transportation and Works Department
Infrastructure Planning & Engineering Services Division
Stormwater Revenue Audit
Summary of Audit Recommendations

39	That the Declaration Form be modified to include Hectare (HA) calculations which are used for the DC stormwater payments, and include any further adjustments to square footage/HA such as expansions.	M	These requirements will be integrated into the digital version of the Supplementary Building Application form. This form is intended to automatically calculate stormwater development charges where possible. March 31, 2020	Efficiency and Effectiveness
40	That the DC calculation memo include a section for signature of preparer and signature of approver to ensure calculations on receipt form are accurate. This ensures the document was properly reviewed and calculated prior to payment acceptance.	M	Existing memo is being replaced by a version automatically generated from within MAX. Built into the updated MAX module is full audit functionality with the ability to time stamp all 'create,' 'update,' and 'approval' actions by relevant staff. March 31, 2020	Efficiency and Effectiveness