Minutes

Audit Committee

Committee of the Council of
The Corporation of the City of Brampton

Tuesday, February 21, 2017

Members Present:	Regional Councillor M. Palleschi – Wards 2 and 6 (Chair) Regional Councillor E. Moore – Wards 1 and 5 Regional Councillor G. Miles – Wards 7 and 8
Members Absent:	Regional Councillor M. Medeiros – Wards 3 and 4 (personal) City Councillor G. Dhillon – Wards 9 and 10 (personal)
Staff Present:	H. Schlange, Chief Administrative Officer **Corporate Services:** J. Pittari, Commissioner, Corporate Services D. Sutton, Treasurer, Corporate Services **Office of the Chief Administrative Officer:** F. Velji, Director, Internal Audit K. Liew, Manager, Internal Audit A. Damian, Senior Advisor, Internal Audit P. Fay, City Clerk S. Pacheco, Legislative Coordinator

The meeting was called to order at 9:31 a.m. and adjourned at 10:04 a.m.

1. Approval of Agenda

The following motion was considered.

AU001-2017 That the agenda for the Audit Committee Meeting of February 21, 2017 be approved as printed and circulated.

Carried

2. Declaration of Interest under the Municipal Conflict of Interest Act – nil

3. Consent – nil

4. Delegations/Presentations

4.1. Delegation from Mr. Kevin Travers, Partner, KPMG LLP, Chartered Accountants, re: **KPMG Audit Plan for the 2016 Fiscal Year**.

Report Item 6.1 was brought forward and dealt with at this time.

Mr. Kevin Travers, Partner, KPMG LLP, Chartered Accountants, provided an overview of the audit planning report for the year ended December 31, 2016, and provided information with respect to the following:

- Purpose and intent of the audit planning report, including key areas of focus for financial reporting
- Audit approach and procedures
  - Professional requirements (risk assessment)
  - Components over which audit procedures will be performed (e.g. Brampton Library Board)
  - Group audit engagement team and auditing standards
- Materiality determination
- Current developments relevant to the City
  - Related party disclosures

Committee discussion took place with respect to the following:

- Financial reporting by the City of Brampton, including awards from the Government Finance Officers Association (GFOA) and CD Howe Institute grading
- CD Howe evaluations and focus on the comparison of budgets and financial statements

- Municipal financial reporting and the move towards full accrual budgeting
- Information from staff that Brampton received the 2016 Distinguished Budget Presentation Award from the GFOA
- Misconceptions regarding Brampton's financial sustainability and the need to improve communications with the public in this regard

The following motion was considered.

AU002-2017

1. That the delegation from Mr. Kevin Travers, Partner, KPMG LLP, Chartered Accountants, to the Audit Committee Meeting of February 21, 2017, re: **KPMG Audit Plan for the 2016 Fiscal Year** be received; and,

2. That the report from D. Sutton, Treasurer, Corporate Services, dated February 10, 2017, to the Audit Committee Meeting of February 21, 2017, re: **KPMG Audit Plan for the 2016 Fiscal Year** be received; and,

3. That the Audit Planning Report for the Year Ending December 31, 2016, prepared by KPMG LLP, Chartered Accountants be received.

Carried

5. Reports – Internal Audit

5.1. Report from F. Velji, Director, Internal Audit, dated January 9, 2017, re: **Results of the Audit Effectiveness Survey – 2016**.

F. Velji, Director, Internal Audit, advised that as part of the Internal Audit Quality Assurance Program, audit effectiveness surveys are issued at the completion of every audit to receive feedback from management regarding the audit process. She advised that the results of the survey showed that management was satisfied with the level of service provided. Ms. Velji added that survey results are reviewed by the Internal Audit Director, and performance enhancements are discussed with the Internal Audit team.

The following motion was considered.

AU003-2017 That the report from F. Velji, Director, Internal Audit, dated January 9, 2017, to the Audit Committee Meeting of February 21, 2017, re: **Results of the Audit Effectiveness Survey – 2016** be received.

Carried

5.2. Report from F. Velji, Director, Internal Audit, dated February 3, 2017, re: **Quarterly Status of Management Action Plans – December 2016** (File GE.a).

Committee discussions took place with respect to the following:

- Follow up process for management action plans and how this may change in 2017
- Flexibility in the audit work plan to respond to additional audit requests
    - Capacity of the Internal Audit Division to conduct additional audits
- Ongoing discussions and consultations between Internal Audit and management staff
- Review of Human Resources processes by Internal Audit
    - Importance of recruiting the right staff and providing adequate training as a proactive approach to mitigate risks
- The need to streamline policies and procedures, while ensuring proper controls are in place

The following motion was considered.

AU004-2017 That the report from F. Velji, Director, Internal Audit, dated February 3, 2017, to the Audit Committee Meeting of February 21, 2017, re: **Quarterly Status of Management Action Plans – December 2016** (File GE.a) be received.

Carried

5.3. Report from A. Damian, Senior Advisor, Internal Audit, dated February 2, 2017, re: **Corporate Fraud Prevention Hotline Quarterly Update** (File GE.a).

In response to questions from Committee, F. Velji, Director, Internal Audit, provided information on the annual budget for the Corporate Fraud Prevention Hotline. She advised that Internal Audit is currently reviewing this service to identify opportunities for efficiencies and cost-savings.

The following motion was considered.

AU005-2017 That the report from A. Damian, Senior Advisor, Internal Audit, dated February 2, 2017, to the Audit Committee Meeting of February 21, 2017, re: **Corporate Fraud Prevention Hotline Quarterly Update** (File GE.a) be received.

Carried

6. **Reports – Finance**

6.1. Report from D. Sutton, Treasurer, Corporate Services, dated February 10, 2017, re: **KPMG Audit Plan for the 2016 Fiscal Year**.

Dealt with under Item 4.1 – Recommendation AU002-2017

7. **Other/New Business – nil**

8. **Question Period – nil**

9. **Public Question Period – nil**

10. **Closed Session – nil**

11. **Adjournment**

The following motion was considered.

AU006-2017 That the Audit Committee do now adjourn to meet again on June 6, 2017, at 9:30 a.m. or at the call of the Chair.

Carried

Regional Councillor M. Palleschi, Chair

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Minutes

Audit Committee

Committee of the Council of
The Corporation of the City of Brampton

Tuesday, June 06, 2017

Members Present:	Regional Councillor M. Palleschi – Wards 2 and 6 (Chair) Regional Councillor M. Medeiros – Wards 3 and 4 Regional Councillor E. Moore – Wards 1 and 5 Regional Councillor G. Miles – Wards 7 and 8 City Councillor G. Dhillon – Wards 9 and 10
Other Members Present:	Regional Councillor G. Gibson – Wards 1 and 5 City Councillor J. Bowman – Wards 3 and 4 City Councillor P. Fortini – Wards 7 and 8 City Councillor D. Whillans – Wards 2 and 6
Staff Present:	H. Schlange, Chief Administrative Officer F. Velji, Director, Internal Audit, Office of the Chief Administrative Officer K. Liew, Manager, Internal Audit, Office of the Chief Administrative Officer J. Pittari, Commissioner, Corporate Services D. Squires, City Solicitor, Corporate Services S. Pacheco, Legislative Coordinator, Office of the Chief Administrative Officer T. Jackson, Legislative Coordinator, Office of the Chief Administrative Officer C. Urquhart, Legislative Coordinator, Office of the Chief Administrative Officer

The meeting was called to order at 9:32 a.m. Committee moved into Closed Session at 9:34 a.m. and moved out of Closed Session and back into Open Session at 9:43 a.m. Committee then recessed at 10:40 a.m., reconvened at 10:52 a.m. and adjourned at 11:40 a.m.

1. Approval of Agenda

During consideration of the Approval of Agenda, Regional Councillor Palleschi, Chair, requested that the order of agenda items be changed to provide that Item 7.1 be dealt with after Item 5.4.

The following motion was considered.

AU007-2017 That the agenda for the Audit Committee Meeting of June 6, 2017 be approved as amended to re-order the agenda items to deal with Item 7.1 after Item 5.4.

Carried

2. Declaration of Interest under the Municipal Conflict of Interest Act – nil

3. Consent – nil

4. Delegations/Presentations – nil

5. Reports – Internal Audit

At this time in the meeting, F. Velji, Director, Internal Audit, Office of the Chief Administrative Officer, introduced two new members of staff in the Internal Audit Division: Swati Taneja, Senior Advisor, and Joan Appleton, Internal Auditor. Ms. Velji provided background information on their work experience and welcomed them to the City of Brampton.

Regional Councillor Palleschi, Chair, advised that prior to consideration of the staff reports listed on the agenda, the City Solicitor has recommended that Committee proceed into Closed Session to receive legal advice.

The following motion was considered.

AU008-2017 That Committee proceed into Closed Session to discuss matters pertaining to the following:

Advice that is subject to solicitor-client privilege, including communications necessary for such purposes – legal advice.

Carried

Following Closed Session discussion on this matter, Committee proceeded to consider the agenda items.

5.1. Report from F. Velji, Director, Internal Audit, Office of the Chief Administrative Officer, dated May 3, 2017, re: **Quarterly Status of Management Action Plans – March 2017**.

F. Velji, Director, Internal Audit, Office of the CAO, provided an overview of the subject report, and outlined the requirement for departments to report quarterly to Internal Audit on the management action plan status and progress of outstanding audit recommendations. Ms. Foruzan indicated that, as of March 31, 2017, one of 13 recommendations was implemented and the remaining 12 were deferred. She added that Internal Audit has encouraged staff to implement the remaining recommendations by the target completion dates.

The following motion was considered.

AU009-2017 That the report from F. Velji, Director, Internal Audit, Office of the Chief Administrative Officer, dated May 3, 2017, to the Audit Committee Meeting of June 6, 2017, re: **Quarterly Status of Management Action Plans – March 2017** be received.

Carried

5.2. Report from F. Velji, Director, Internal Audit, Office of the Chief Administrative Officer, dated May 10, 2017, re: **Corporate Fraud Prevention Hotline Update**.

F. Velji, Director, Internal Audit, Office of the CAO, provided an overview of the subject report, and highlighted the following:

- Seven reports of alleged fraud have been reported through the Corporate Fraud Prevention Hotline and investigated by Internal Audit – three investigations are on-going
- Current usage of the Hotline is low, and Internal Audit will be reviewing processes and procedures, and creating awareness of this program

- Two third party vendors will provide Hotline services to the City with an approximate savings of $24,000

Committee discussion took place with respect to the following:

- Varying opinions on the reporting frequency of Hotline updates
- Indication that Internal Audit will provide additional information to staff regarding the Hotline
- Clarification from staff regarding the process for reporting fraud through the Hotline
- Confirmation that Internal Audit will report any issues of concern to the Audit Committee in a timely manner

The following motion was considered.

AU010-2017
Lost

That updates on the status of the Corporate Fraud Prevention Hotline be reported to the Audit Committee on an annual basis, or as deemed necessary by the Internal Audit Division.

A recorded vote was requested and the motion lost as follows:

Yea	*Nay*	*Absent*
Palleschi	*Miles*	*nil*
	Dhillon	
	Moore	
	Medeiros	

Lost
1 Yea
4 Nays
0 Absent

The following motion was considered.

AU011-2017

That the report from F. Velji, Director, Internal Audit, Office of the Chief Administrative Officer, dated May 10, 2017, to the Audit Committee Meeting of June 6, 2017, re: **Corporate Fraud Prevention Hotline Update** be received.

Carried

5.3. Report from F. Velji, Director, Internal Audit, Office of the Chief Administrative Officer, dated March 29, 2017, re: **Internal Audit Work Plan – 2017**.

F. Velji, Director, Internal Audit, Office of the CAO, provided an overview of the subject report, noting that the work plan includes audits from the 2016 and 2015 audit work plans that were not completed by December 31, 2016.

The following motion was considered.

AU012-2017 That the report from F. Velji, Director, Internal Audit, Office of the Chief Administrative Officer, dated March 29, 2017, to the Audit Committee Meeting of June 6, 2017, re: **Internal Audit Work Plan – 2017** be received.

Carried

5.4. Report from F. Velji, Director, Internal Audit, Office of the Chief Administrative Officer, dated May 15, 2017, re: **Internal Audit Division External Quality Assessment Review – 2016**.

Item 7.2 was brought forward and dealt with at this time.

F. Velji, Director, Internal Audit, Office of the CAO, advised Committee that the International Standards for the Professional Practice of Internal Auditing requires that an External Quality Assessment (EQA) be conducted every five years. Ms. Velji provided an overview of the results of the EQA performed by Protiviti, which concluded that the City's internal audit activity 'generally conforms' to the Code of Ethics, and 'partially conforms' to the Standards. She highlighted opportunities for improvement and advised that six of the recommendations from Protiviti have been completed and two are expected to be completed in Q4 2017.

In response to questions from Committee, staff provided the following:

- The City plans to hire an IT Auditor to perform IT related audits and, in the interim, KPMG has been retained to fill this service gap
- The Audit Committee Terms of Reference will be amended to address the Committee's approval of decisions regarding the appointment/removal/salary of the Chief Audit Executive (CAE)
- The Internal Audit Division operates independently of the Corporation

The following motion was considered.

AU013-2017 1. That the report from F. Velji, Director, Internal Audit, Office of the Chief Administrative Officer, dated May 15, 2017, to the Audit Committee Meeting of June 6, 2017, re: **Internal Audit Division External Quality Assessment Review – 2016** be received; and

2. That the correspondence from Protiviti Inc. dated May 2017, to the Audit Committee Meeting of June 6, 2017, re: **External Quality Assessment of Internal Audit** be received.

Carried

5.5. Report from K. Liew, Manager, Internal Audit, Office of the Chief Administrative Officer, dated May 4, 2017, re: **Mobile Phone Management Audit Report**.

F. Velji, Director, Internal Audit, Office of the CAO, provided an overview of the subject report and the results of the Mobile Phone Management Audit, which found that internal controls either did not exist or were not working effectively. Ms. Foruzan advised that seven percent of staff (representing 78 accounts) had usage in excess of expected monthly rates, and indicated that immediate action by the Corporate Services Department is necessary.

Committee discussion on this matter included the following:

- Concern that personal mobile phone charges were not reimbursed to the City through Finance's reimbursement procedure
- Questions regarding:
  - the accounting of reimbursements paid at Cashiers
  - the process used to conduct this audit
  - the appropriateness of current mobile phone rate plans
- Lack of information provided to staff regarding mobile phone rate plans
  - It was noted that additional information is now available on the portal regarding rate plans and reimbursement processes
- Concern regarding the lack of management oversight of the mobile phone process
- Indication from staff that mobile phone rate plans will be reviewed and modernized to achieve efficiencies
- Confirmation from staff that the subject audit excluded Members of Council
- Suggestion that an audit be conducted on mobile phone usage by Members of Council
  - It was noted that KPMG LLP Chartered Accountants will be reviewing best practices for Council in this regard

The following motion was considered.

AU014-2017 That the report from K. Liew, Manager, Internal Audit, Office of the Chief Administrative Officer, dated May 4, 2017, to the Audit Committee Meeting of June 6, 2017, re: **Mobile Phone Management Audit Report** be received.

Carried

5.6. Report from R. Elchaer, Internal Auditor, Office of the Chief Administrative Officer, dated March 2, 2017, re: **Property Tax Revenue Audit Report**.

The following motion was considered.

AU015-2017 That the report from R. Elchaer, Internal Auditor, Office of the Chief Administrative Officer, dated March 2, 2017, to the Audit Committee Meeting of June 6, 2017, re: **Property Tax Revenue Audit Report** be received.

Carried

5.7. Report from K. Liew, Manager, Internal Audit, Office of the Chief Administrative Officer, dated May 4, 2017, re: **Human Resources Salary Administration Audit Report**.

F. Velji, Director, Internal Audit, Office of the CAO, provided an overview of the subject report, and noted that due to the financial significance and high risk associated with Human Resources (HR), this Division was identified for cyclical review. Ms. Velji advised that the findings of the HR Salary Administration Audit covered three audit periods and identified that internal controls were ineffective and required significant improvement. In addition, Ms. Velji highlighted the findings and audit recommendations outlined in the report.

Committee discussion took place with respect to the following:

- Information from staff regarding:
  - the purpose, instances and approval process for Outside Policy Requests (OPRs)
  - the Internal Audit follow-up process and next steps for HR management
  - the new audit methodology and reporting format
- Concerns regarding the lack of transparency for OPRs and conflicting rules between Council-approved policies and management guidelines
- Confirmation from staff that:
  - salary administration policies will be reviewed and updated
  - staff are currently adhering to Council-approved policies
  - the audit findings did not identify any illegal activity
  - the information attached to the report as Appendix C and D were not previously provided to Council
  - $1.25M was paid to staff in discretionary salary increases from January 2009 to May 2014
- Questions regarding why there were no instances of OPRs after November 13, 2015

Committee extended thanks to staff for their efforts in identifying the issues outlined in the subject report and for presenting this information to Committee.

The following motion was considered.

AU016-2017 That the report from K. Liew, Manager, Internal Audit, Office of the Chief Administrative Officer, dated May 4, 2017, to the Audit Committee Meeting of June 6, 2017, re: **Human Resources Salary Administration Audit Report** be received.

Carried

6. Reports – Finance – nil

7. Other/New Business

7.1. Report from H. Schlange, Chief Administrative Officer, dated May 8, 2017, re: **City of Brampton's Response to the Proposed Suggestions from the Office of the Ontario Ombudsman's Final Report titled "Procuring Progress"**.

H. Schlange, CAO, provided background information on the investigation and final report from the Office of the Ontario Ombudsman on the City's procurement practices. Mr. Schlange advised that the investigation found no evidence of maladministration and the report provided 15 proposed practices for the City to consider. Mr. Schlange indicated that 12 of the proposed practices have been implemented or are underway, and three (#13, #14 and #15 in the subject report) will be evaluated. In addition, Mr. Schlange sought direction from Committee regarding the practices identified in the report as #13 and #14.

The following motion was considered.

AU017-2017

1. That the report from H. Schlange, Chief Administrative Officer, dated May 8, 2017, to the Audit Committee Meeting of June 6, 2017, re: **City of Brampton's Response to the Proposed Suggestions from the Office of the Ontario Ombudsman's Final Report titled "Procuring Progress"** be received; and

2. That the following proposed practices from the Ombudsman's report be **referred** to City staff for research and evaluation, including a report back to City Council for consideration during the 2018-2022 Council term regarding the definition of the Audit Committee structure, composition and terms of reference:

13. The City of Brampton should consider recruiting and appointing qualified, independent members of the public to serve alongside Council Members on the Audit Committee

14. The City of Brampton should consider developing selection criteria for all Audit Committee members that ensure that, where possible, they have some expertise in finance or audit procedures.

Carried

7.2. Correspondence from Protiviti Inc. dated May 2017, re: **External Quality Assessment of Internal Audit**.

<u>Dealt with under Item 5.4 – Recommendation AU013-2017</u>

8. <u>Question Period</u> – nil

9. <u>Public Question Period</u> – nil

10. <u>Closed Session</u>

10.1. Advice that is subject to solicitor-client privilege, including communications necessary for such purposes – legal advice

<u>See Item 5 – Recommendation AU008-2017</u>

11. <u>Adjournment</u>

Regional Councillor Palleschi, Chair, advised that a Special Meeting of the Audit Committee is taking place on June 13, 2017, and KPMG LLP Chartered Accountants will be in attendance to make a delegation. In response to questions Councillor Palleschi confirmed that this meeting will be held in the Council Committee Room.

The following motion was considered.

AU018-2017 That the Audit Committee do now adjourn to meet again on June 13, 2017, at 9:30 a.m. or at the call of the Chair.

Carried

Regional Councillor M. Palleschi, Chair

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Minutes

Audit Committee

Committee of the Council of
The Corporation of the City of Brampton

Tuesday, June 13, 2017

Members Present:

Regional Councillor M. Palleschi – Wards 2 and 6 (Chair)
Regional Councillor M. Medeiros – Wards 3 and 4
Regional Councillor E. Moore – Wards 1 and 5
Regional Councillor G. Miles – Wards 7 and 8
City Councillor G. Dhillon – Wards 9 and 10

Other Members Present:

City Councillor J. Bowman – Wards 3 and 4

Staff Present:

H. Schlange, Chief Administrative Officer
F. Velji, Director, Internal Audit, Office of the Chief Administrative Officer
D. Sutton, Treasurer, Corporate Services
M. Kuzmanov, Manager, Accounting, Corporate Services
P. Fay, City Clerk, Office of the Chief Administrative Officer
S. Pacheco, Legislative Coordinator, Office of the Chief Administrative Officer

The meeting was called to order at 9:30 a.m. and adjourned at 9:43 a.m.

1. Approval of Agenda

The following motion was considered.

AU019-2017 That the agenda for the Special Audit Committee Meeting of June 13, 2017 be approved as printed and circulated.

Carried

2. Declaration of Interest under the Municipal Conflict of Interest Act – nil

3. Consent – nil

4. Delegations/Presentations

4.1. Delegation from Mr. Kevin Travers, Partner, KPMG LLP, Chartered Accountants, re: **2016 Audited Consolidated Financial Statements for the City of Brampton**.

Item 6.1 was brought forward and dealt with at this time.

Mr. Kevin Travers, Partner, KPMG LLP, Chartered Accountants, provided an overview of the 2016 Audited Consolidated Financial Statements for the City of Brampton, as prepared by KPMG LLP Chartered Accountants. Mr. Travers advised that the audit was completed in accordance with the Audit Plan previously presented to the Audit Committee, and provided details on the following matters outlined in the Audit Findings Report for the year ended December 31, 2016:

- Significant accounting estimates
- Other significant matters, including:
  - Restructuring measures
  - Contributed capital assets
  - Municipal grant
  - Contingent liabilities
- Adjustments and differences
- Data and analytics in audit
- Process improvement observations

Committee discussion took place with respect to the $40M contribution to the William Osler Health System for the local share for the new Peel Memorial Centre for Integrated Health and Wellness, and the $20M remaining commitment to be disbursed in 2018.

In response to questions from Committee on this matter, staff provided information on the terms of the agreement with the William Osler Health System for the remaining $20M commitment, and other opportunities for these funds (e.g. interest accumulation, potential investment in a third hospital).

In response to a question from Committee regarding the costs associated with the City's restructuring measures, H. Schlange, Chief Administrative Officer, advised that the $9M in termination costs outlined in the Audit Findings Report is accurate, noting that a similar figure was previously reported to Council. Mr. Schlange provided information on the efficiencies that will be achieved on future operating budgets as a result of the restructuring.

The following motion was considered.

AU020-2017

1. That the delegation from Mr. Kevin Travers, Partner, KPMG LLP, Chartered Accountants, to the Special Audit Committee Meeting of June 13, 2017, re: **2016 Audited Consolidated Financial Statements for the City of Brampton** be received; and

2. That the report from M. Kuzmanov, Manager, Accounting, Corporate Services, dated May 31, 2017, to the Special Audit Committee Meeting of June 13, 2017, re: **2016 Audited Consolidated Financial Statements for the City of Brampton** be received.

Carried

5. Reports – Internal Audit – nil

6. Reports – Finance

6.1. Report from M. Kuzmanov, Manager, Accounting, Corporate Services, dated May 31, 2017, re: **2016 Audited Consolidated Financial Statements for the City of Brampton**.

Dealt with under Item 4.1 – Recommendation AU020-2017

7. Other/New Business – nil

8. Question Period – nil

9. Public Question Period – nil

10. Closed Session – nil

11. Adjournment

The following motion was considered.

AU021-2017 That the Audit Committee do now adjourn to meet again on September 12, 2017, at 9:30 a.m. or at the call of the Chair.

Carried

Minutes

Audit Committee

Committee of the Council of
The Corporation of the City of Brampton

Tuesday, September 12, 2017

Members Present:
Regional Councillor M. Palleschi – Wards 2 and 6 (Chair)
Regional Councillor M. Medeiros – Wards 3 and 4
Regional Councillor E. Moore – Wards 1 and 5
Regional Councillor G. Miles – Wards 7 and 8
(arrived at 9:31 a.m. – personal)
City Councillor G. Dhillon – Wards 9 and 10
(arrived at 9:34 a.m. – personal)

Other Members Present: City Councillor J. Bowman – Wards 3 and 4

Staff Present:
H. Schlange, Chief Administrative Officer
F. Velji, Director, Office of Internal Audit
D. Squires, City Solicitor, Corporate Services
D. Sutton, Treasurer, Corporate Services
Z. Majid, Senior Manager, Accounting Services and Deputy Treasurer, Corporate Services
M. Kuzmanov, Manager, Accounting, Corporate Services
R. Elchaer, Internal Auditor, Office of Internal Audit
P. Fay, City Clerk, Office of the Chief Administrative Officer
C. Gravlev, Deputy City Clerk, Office of the Chief Administrative Officer
S. Pacheco, Legislative Coordinator, Office of the Chief Administrative Officer

The meeting was called to order at 9:30 a.m., moved into Closed Session at 9:31 a.m., moved back into Open Session at 9:37 a.m. and adjourned at 10:09 a.m.

1. Approval of Agenda

During consideration of the Approval of Agenda, there was Committee consensus to change the order of business to deal with Item 10.1 first, followed by Item 7.1.

The following motion was considered.

AU022-2017 That the agenda for the Audit Committee Meeting of September 12, 2017 be approved as printed and circulated.

Carried

2. Declaration of Interest under the Municipal Conflict of Interest Act – nil

3. Consent – nil

4. Delegations/Presentations – nil

5. Reports – Internal Audit

5.1. Report from F. Velji, Director, Office of Internal Audit, dated July 18, 2017, re: **Update of Internal Audit Charter and Audit Committee Terms of Reference**.

F. Velji, Director, Office of Internal Audit, advised that staff have reviewed the Internal Audit Charter and Audit Committee Terms of Reference, noting that:

- significant revisions were made to the Charter to comply with new Internal Audit Standards, enhance Internal Audit's independence and address conformance gaps identified in the External Quality Assessment performed by Protiviti in May 2017
- the Terms of Reference were revised to further enhance the independence of Internal Audit and address conformance gaps identified in the External Quality Assessment performed by Protiviti in May 2017

The following motion was considered.

AU023-2017

1. That the report from F. Velji, Director, Office of Internal Audit, dated July 18, 2017, to the Audit Committee Meeting of September 12, 2017, re: **Update of Internal Audit Charter and Audit Committee Terms of Reference** be received; and

2. That the updated Internal Audit Charter Version 2017, as set out in Appendix A1 to this report, be approved; and

3. That the updated Audit Committee Terms of Reference Version 2017, as set out in Appendix B1 to this report, be adopted.

Carried

5.2. Report from F. Velji, Director, Office of Internal Audit, dated August 9, 2017, re: **Corporate Fraud Prevention Hotline Update**.

Committee discussion on this matter included the following:

- Value of the Corporate Fraud Prevention Hotline
- Process for reporting suspected incidents of fraud
- Indication that the hotline is underutilized due to a lack of awareness by staff and a lack of confidence that staff will remain anonymous
- Indication that the hotline will be re-launched in the future, with additional information provided to staff

The following motion was considered.

AU024-2017 That the report from F. Velji, Director, Office of Internal Audit, dated August 9, 2017, to the Audit Committee Meeting of September 12, 2017, re: **Corporate Fraud Prevention Hotline Update** be received.

Carried

5.3. Report from F. Velji, Director, Office of Internal Audit, dated August 9, 2017, re: **Quarterly Status of Management Action Plans – June 2017**.

The following motion was considered.

AU025-2017 That the report from F. Velji, Director, Office of Internal Audit, dated August 9, 2017, to the Audit Committee Meeting of September 12, 2017, re: **Quarterly Status of Management Action Plans – June 2017** be received.

Carried

5.4. Report from R. Elchaer, Internal Auditor, Office of Internal Audit, dated May 18, 2017, re: **Cassie Campbell Community Centre Cash Handling and Revenue Audit Report**.

The following motion was considered.

AU026-2017 That the report from R. Elchaer, Internal Auditor, Office of Internal Audit, dated May 18, 2017, to the Audit Committee Meeting of September 12, 2017, re: **Cassie Campbell Community Centre Cash Handling and Revenue Audit Report** be received.

Carried

5.5. Report from R. Elchaer, Internal Auditor, Office of Internal Audit, dated August 10, 2017, re: **Employee Expense Reimbursement Audit Report**.

The following motion was considered.

AU027-2017 That the report from R. Elchaer, Internal Auditor, Office of Internal Audit, dated August 10, 2017, to the Audit Committee Meeting of September 12, 2017, re: **Employee Expense Reimbursement Audit Report** be received.

Carried

6. <u>Reports – Finance</u> – nil

7. <u>Other/New Business</u>

7.1. Report from KPMG LLP, Chartered Accountants, dated August 2017, re: **Specified Procedures Audit Report**.

F. Velji, Director, Office of Internal Audit, advised that KPMG was engaged to perform a review of City policies and training relating to expense reimbursement, and a specified procedures audit.

Nick Rolfe, Senior Manager, KPMG, provided an overview of the report prepared by KPMG, including details on the objectives, and a summary of findings and key recommendations.

Committee discussion took place with respect to the following:

- Clarification of the variation in cellular charges for Members of Council

- Suggestion that the expense policies for the City of Brampton and Region of Peel be streamlined
- The need for staff to review and clarify eligible expenses in the policy
- Questions regarding the appropriate use of the purchasing card and confirmation from staff that adequate controls are in place
- Indication from staff that Council Member expenses are posted on the City's website on a quarterly basis
    - Suggestion that additional information regarding these expenses also be posted
- Concerns with implementing a less prescriptive expense policy

The following motion was considered.

AU028-2017 That the report from KPMG LLP, Chartered Accountants, dated August 2017, to the Audit Committee Meeting of September 12, 2017, re: **Specified Procedures Audit Report** be **referred** to staff for a report to a future Audit Committee meeting on the recommendations outlined within.

Carried

8. Question Period – nil

9. Public Question Period – nil

10. Closed Session

The following motion was considered.

AU029-2017 That Committee proceed into Closed Session to discuss matters pertaining to the following:

10.1. Advice that is subject to solicitor-client privilege, including communications necessary for that purpose

Carried

11. Adjournment

The following motion was considered.

AU030-2017 That the Audit Committee do now adjourn to meet again on November 20, 2017, at 9:30 a.m. or at the call of the Chair.

Carried

Regional Councillor M. Palleschi, Chair

Minutes

Audit Committee
Committee of the Council of
The Corporation of the City of Brampton

Monday, November 20, 2017

Members Present: Regional Councillor M. Medeiros – Wards 3 and 4 **(Acting Chair)**
Regional Councillor E. Moore – Wards 1 and 5
Regional Councillor G. Gibson – Wards 1 and 5
(designate for Regional Councillor M. Palleschi)
Regional Councillor G. Miles – Wards 7 and 8
City Councillor G. Dhillon – Wards 9 and 10

Members Absent: Regional Councillor M. Palleschi – Wards 2 and 6 **(Chair)** – illness

Other Members Present: City Councillor Bowman – Wards 3 and 4

Staff Present: H. Schlange, Chief Administrative Officer
A. Meneses, Commissioner, Community Services
J. Pittari, Commissioner, Corporate Services
J. Pitushka, Commissioner, Public Works and Engineering
D. Squires, City Solicitor, Corporate Services
F. Velji, Director, Office of Internal Audit
R. Conard, Director, Building, and Chief Building Official, Planning and Development Services
D. Sutton, Treasurer, Corporate Services
Z. Majid, Senior Manager, Accounting Services and Deputy Treasurer, Corporate Services
P. Fay, City Clerk, Office of the Chief Administrative Officer
S. Pacheco, Legislative Coordinator, Office of the Chief Administrative Officer

The meeting was called to order at 9:30 a.m., recessed at 9:37 a.m., reconvened at 11:02 a.m., and adjourned at 12:56 p.m.

1. <u>Approval of Agenda</u>

A procedural motion was voted on and carried to appoint Regional Councillor Medeiros as Chair for this meeting. Councillor Medeiros assumed the Chair.

The following motion was considered.

AU031-2017 That the agenda for the Audit Committee Meeting of November 20, 2017 be approved, as amended as follows:

- To introduce the members of the Internal Audit Team immediately following Consent
- To change the order of business items after Consent, to be dealt with in the following order:
    - 10.1, 10.2, 4.1, 6.1, 5.1, 5.2, 5.3, 4.3, 5.4, 5.5, 4.2, 4.4, 7.1

Carried

2. <u>Declaration of Interest under the Municipal Conflict of Interest Act</u> – nil

3. <u>Consent</u> – nil

At this time in the meeting, F. Velji, Director, Internal Audit, introduced the members of the Internal Audit Team and provided background information on their work experience.

4. <u>Delegations/Presentations</u>

4.1. Delegation from Mr. Kevin Travers, Partner, KPMG LLP Chartered Accountants, re: **KPMG Audit Plan for the 2017 Fiscal Year**.

Mr. Kevin Travers, Partner, KPMG LLP, Chartered Accountants, provided an overview of the audit planning report for the year ending December 31, 2017, and provided information with respect to the following:

- Purpose and intent of the audit planning report, including key areas of focus for financial reporting
- The KPMG team
- Audit materiality

- Audit scope and approach
    - Components over which audit procedures will be performed (e.g. Brampton Library Board, Downtown Brampton BIA)
    - Professional requirements (presumed fraud risks)
- Materiality determination
- Audit cycle and timetable
- Current developments relevant to the City

In response to questions from Committee, Mr. Travers provided information on the process for conducting audits and the benefits of automated processes.

The following motion was considered.

AU032-2017

1. That the delegation from Mr. Kevin Travers, Partner, KPMG LLP Chartered Accountants, to the Audit Committee Meeting of November 20, 2017, re: **KPMG Audit Plan for the 2017 Fiscal Year** be received;

2. That the report from D. Sutton, Treasurer, Corporate Services, dated November 10, 2017, to the Audit Committee Meeting of November 20, 2017, re: **KPMG Audit Plan for the 2017 Fiscal Year** be received; and

3. That the Audit Planning Report for the Year Ending December 31, 2017, prepared by KPMG LLP, Chartered Accountants, be received.

Carried

4.2. Presentation by F. Velji, Director, Internal Audit, re: **Internal Audit Budget**.

F. Velji, Director, Internal Audit, presented the 2018-2020 Internal Audit Current Budget submission.

The following motion was considered.

AU033-2017

1. That the presentation by F. Velji, Director, Internal Audit, to the Audit Committee Meeting of November 20, 2017, re: **Internal Audit Budget** be received;

2. That the 2018 Current Budget for the Internal Audit Division be approved, as presented; and

3. That the 2019 and 2020 Current Budget for the Internal Audit Division be endorsed, in principle, as presented.

Carried

P. Fay, City Clerk, advised that clauses 2 and 3 of the above-noted recommendation would be presented to Budget Committee for approval.

4.3. Presentation by F. Velji, Director, Internal Audit, re: **2017 Summary of Completed Audits and Recommendations**.

F. Velji, Director, Internal Audit, provided an overview of the 2017 Summary of Completed Audits and Recommendations, and responded to questions of Committee regarding the Phone Management Audit.

The following motion was considered.

AU034-2017 That the presentation by F. Velji, Director, Internal Audit, to the Audit Committee Meeting of November 20, 2017, re: **2017 Summary of Completed Audits and Recommendations** be received.

Carried

4.4. Presentation by Z. Majid, Senior Manager, Accounting Services and Deputy Treasurer, Corporate Services, re: **Modernizing Financial Processes, Policies and SOPs**.

Z. Majid, Senior Manager, Accounting Services and Deputy Treasurer, Corporate Services, provided a presentation entitled "Modernizing Financial Processes, Policies and SOPs".

Committee discussion included the need to have the necessary resources in place to modernize the corporation and to conduct IT related audits.

The following motion was considered.

AU035-2017 That the presentation by Z. Majid, Senior Manager, Accounting Services and Deputy Treasurer, Corporate Services, to the Audit Committee Meeting of November 20, 2017, re: **Modernizing Financial Processes, Policies and SOPs** be received.

Carried

5. <u>Reports – Internal Audit</u>

5.1. Report from F. Velji, Director, Internal Audit, dated November 11, 2017, re: **Building Permits Audit Report**.

Committee discussion took place with respect to the following:

- Increasing the use of technology to meet demand for building permit services
- Benefits of offering building permit application services online
- Automating notifications and the calculation of permit fees and payments (e.g. online)
- High overtime and lieu hours of building permit reviewers and requests for additional staff in the 2018 budget submission
- The need to improve communication and collaboration between the City and Region of Peel as it relates to building permit regulations and regional requirements

The following motion was considered.

AU036-2017 That the report from F. Velji, Director, Internal Audit, dated November 11, 2017, to the Audit Committee Meeting of November 20, 2017, re: **Building Permits Audit Report** be received.

Carried

5.2. Report from F. Velji, Director, Internal Audit, dated November 10, 2017, re: **Library Operations Audit Report**.

The following motion was considered.

AU037-2017 That the report from F. Velji, Director, Internal Audit, dated November 10, 2017, to the Audit Committee Meeting of November 20, 2017, re: **Library Operations Audit Report** be received.

Carried

5.3. Report from F. Velji, Director, Internal Audit, dated October 6, 2017, re: **Corporate Fraud Prevention Hotline Update**.

The following motion was considered.

AU038-2017 That the report from F. Velji, Director, Internal Audit, dated October 6, 2017, to the Audit Committee Meeting of November 20, 2017, re: **Corporate Fraud Prevention Hotline Update** be received.

Carried

5.4. Report from F. Velji, Director, Internal Audit, dated October 30, 2017, re: **Quarterly Status of Management Action Plans**.

The following motion was considered.

AU039-2017 That the report from F. Velji, Director, Internal Audit, dated October 30, 2017, to the Audit Committee Meeting of November 20, 2017, re: **Quarterly Status of Management Action Plans** be received.

Carried

5.5. Report from F. Velji, Director, Internal Audit, dated November 2, 2017, re: **Internal Audit Work Plan – 2017 / 2018**.

The following motion was considered.

AU040-2017 That the report from F. Velji, Director, Internal Audit, dated November 2, 2017, to the Audit Committee Meeting of November 20, 2017, re: **Internal Audit Work Plan – 2017 / 2018** be received.

Carried

6. Reports – Finance

6.1. Report from D. Sutton, Treasurer, Corporate Services, dated November 10, 2017, re: **KPMG Audit Plan for the 2017 Fiscal Year**.

Dealt with under Item 4.1 – Recommendation AU032-2017

7. Other/New Business

7.1. Report from H. Schlange, Chief Administrative Officer, and J. Pittari, Commissioner, Corporate Services, dated November 5, 2017, re: **Analysis of Establishing a Permanent and Independent Auditor General**.

H. Schlange, Chief Administrative Officer, provided an overview of the subject report and information with respect to the following:

- Rationale for the recommendations outlined within the staff report
- Strengthened independence of the Internal Audit Division
- Review of audit models across Canada and Ontario, including key findings and cost implications

    - It was noted that the City of Toronto is legislatively required to have an Auditor General and is the only municipality in Canada to have Auditor General and Internal Audit functions
- Advantage of Brampton's current Internal Audit model
- The City's commitment to the principles of accountability and transparency

Committee discussion on this matter included:

- Council confidence in the City's Corporate Leadership Team
- Indication that the City is well-served by the Internal Audit Team
- Varying opinions regarding the benefits of appointing an Auditor General in Brampton and concerns regarding potential duplication of work with Internal Audit
- Examples of the role and function of the Auditor General in the City of Toronto

A motion was introduced to approve the recommendations outlined within the subject report.

The following amendment to the motion was subsequently introduced. The amendment was deemed contrary to the main motion.

> Therefore Be It Resolved that Audit Committee recognize the efforts of the Office of Internal Audit and its commitment to the overarching principles of accountability and transparency and that the City of Brampton continue to support the efforts of the Office of Internal Audit;
>
> Further, Be It Resolved that the City of Brampton also appoint an independent Auditor General for a fixed term of three (3) years to provide even further external examination of the City's operations, consistent with the operating model of larger, progressive public sector entities that operate both Internal Audit and Auditor Generals; and,
>
> That the noted financial resources be included in the Budget.

Further discussion on this matter included the following:

- Indication that the City of Toronto is a much larger and complex organization than the City of Brampton, which necessitates both Auditor General and Internal Audit functions
- The City's commitment to the principles of accountability and transparency
- Financial implications of appointing an Auditor General
- Changes to the Internal Audit Charter, which provides for increased independence
- Differences between Auditor General and Internal Audit functions, powers and services

- Suggestions outlined within the March 2017 report from the Ombudsman of Ontario
- Audit models in other Ontario municipalities
- Qualifications of an Auditor General and an indication that this is a statutory position under the *Municipal Act, 2001*

The following motion was considered.

AU041-2017 That the report from H. Schlange, Chief Administrative Officer, and J. Pittari, Commissioner, Corporate Services, dated November 5, 2017, to the Audit Committee Meeting of November 20, 2017, re: **Analysis of Establishing a Permanent and Independent Auditor General** be **deferred** to the next Audit Committee Meeting scheduled to take place on February 20, 2018.

Carried

8. <u>Question Period</u> – nil

9. <u>Public Question Period</u> – nil

10. <u>Closed Session</u>

10.1. The Security of the Property of the Municipality or Local Board – Internal Audit Review Matter

10.2. The Security of the Property of the Municipality or Local Board – Internal Audit Review Matter

The following motion was considered.

AU042-2017 That Committee proceed into Closed Session to discuss matters pertaining to the following:

10.1. The Security of the Property of the Municipality or Local Board – Internal Audit Review Matter

10.2. The Security of the Property of the Municipality or Local Board – Internal Audit Review Matter

Carried

Note: In Open Session, the Chair reported on the status of matters considered in Closed Session as follows:

- Item 10.1 – Committee considered this matter and no direction was given to staff in Closed Session
- Item 10.2 – Committee considered this matter and no direction was given to staff in Closed Session

11. Adjournment

The following motion was considered.

AU043-2017 That the Audit Committee do now adjourn to meet again on February 20, 2018, at 9:30 a.m. or at the call of the Chair.

Carried

Regional Councillor M. Medeiros, Acting Chair