

Tuesday, September 8, 2020**Members Present via Electronic Meeting Participation:**

Regional Councillor M. Medeiros – Wards 3 and 4 (Chair)
Regional Councillor R. Santos – Wards 1 and 5 (Vice Chair)
Note: Councillor Santos chaired the meeting
City Councillor J. Bowman – Wards 3 and 4
City Councillor H. Singh – Wards 9 and 10
Regional Councillor Vicente – Wards 1 and 5 (designate for City
Councillor Whillans)
Iqbal Ali – Citizen Member

Members Absent:

Regional Councillor M. Palleschi – Wards 2 and 6 (personal)
Regional Councillor G. Dhillon – Wards 9 and 10 (personal)
City Councillor D. Whillans – Wards 2 and 6 (personal)
Rishi Jain – Citizen Member (personal)
Abid Zaman – Citizen Member (personal)

Staff Present:

D. Barrick, Chief Administrative Officer
S. Kalkat, Director, Office of Internal Audit
Z. Majid, Senior Manager, Accounting Services and Deputy
Treasurer, Corporate Support Services
P. Fay, City Clerk
C. Gravlev, Deputy City Clerk
S. Pacheco, Legislative Coordinator, City Clerk's Office

1. **Call To Order**

Note: In consideration of the current COVID-19 public health orders prohibiting large public gatherings of people and requirements for physical distancing between persons, in-person attendance at this Audit Committee meeting was limited to Members of Council and essential City staff only. Physical distancing was maintained in Council Chambers at all times during the meeting.

The meeting was called to order at 3:11 p.m., recessed at 4:17 p.m. and moved into Closed Session at 4:27 p.m. Committee recessed at 4:28 p.m., reconvened in Open Session at 4:33 p.m. and adjourned at 4:34 p.m.

This meeting of Audit Committee was conducted with electronic participation by Members, the meeting started with the City Clerk calling the roll for attendance at the meeting, as follows:

Members present during roll call: Councillor Medeiros, Councillor Santos, Councillor Bowman, Councillor Singh, Councillor Vicente (designate for Councillor Whillans), Iqbal Ali

Members absent during roll call: Councillor Dhillon, Councillor Palleschi, Councillor Whillans, Rishi Jain, Abid Zaman

2. **Approval of Agenda**

The following motion was considered.

AU023-2020 That the agenda for the Audit Committee Meeting of September 8, 2020, be approved as published and circulated.

Carried

3. **Declarations of Interest under the Municipal Conflict of Interest Act** – nil

4. **Consent** – nil

5. **Presentations\Delegations** – nil

6. **Reports – Internal Audit**

6.1 Staff Report re: **Internal Audit Charter (R 143/2020)**

Committee discussion took place regarding the Internal Audit Charter, as outlined in the subject report, and included the following:

- Concerns regarding the Functional Reporting structure of the Office of Internal Audit and the potential impact of this structure on the independence and objectivity of the internal audit function
- Suggestion that internal audit reports be reported directly to the Audit Committee and/or Council, rather than through the CAO
- Concerns that the appointment, dismissal and remuneration of the Internal Audit Director is under the responsibility of the CAO, due to the potential impact this may have on the independence and objectivity of the internal audit function
- Council's decision to continue with an Internal Audit model rather than an Auditor General model
- Role of the Audit Committee to ensure the internal audit function is independent and impartial.

D. Barrick, Chief Administrative Officer, clarified that the existing reporting structure of the Office of Internal Audit has not changed and, in accordance with Council's direction, the proposed Charter was updated to align with City by-laws and policies. In addition, Mr. Barrick explained how the Internal Audit model differs from the Auditor General model.

S. Kalkat, Director, Internal Audit, clarified the reporting process for internal audit reports to Audit Committee, and the flow of information to the CAO and management in advance of the meeting.

Item 6.6 was brought forward and dealt with at this time.

At the request of Committee, Nicholas Rolfe, KPMG, responded to questions and concerns raised by Audit Committee members, and provided the following:

- The existing reporting structure of Internal Audit remains unchanged and meets Internal Auditing standards
- Internal Audit staff are required to comply with the standards of the International Professional Practices Framework (IPPF) and the Code of Ethics as set out by the Institute of Internal Auditors (IIA)
- Audit Committee can meet with the Internal Audit Director in closed session to address any potential risks/concerns

- Internal Audit reports should be discussed with management prior to being presented to Audit Committee, in order to have an effective internal audit process and function.

In addition, Mr. Rolfe provided an overview of KPMG's Internal Audit Function Review (Appendix 1 of Item 6.6.), and provided details on the Summary of Results and Key Recommendations outlined within. Mr. Rolfe responded to questions from Committee with respect to the following:

- Appropriate sample size for conducting an effective audit
- Risk-based approach to auditing
- Process for following up on the completion of recommendations
- Process for appointing citizen members to the Audit Committee

Ms. Kalkat confirmed that the status of KPMG's recommendations will be reported to the Audit Committee as part of the Management Action Plans report.

A motion to approve the recommendations in staff report 6.1 (Internal Audit Charter) was introduced, as amended, to add the following clauses:

3. That the Audit Committee be given the opportunity to meet with the Director of Internal Audit, in closed session, at each meeting given proper authority under the *Municipal Act, 2001* with regard to a closed session exception; and
4. That future citizen members be selected through the Citizen Appointments Committee.

The following motion was considered in regard to Item 6.1.

- AU024-2020
1. That the report titled: **Internal Audit Charter (R143/2020)**, to the Audit Committee Meeting of September 8, 2020, be received;
 2. That the by-law attached as Appendix 1 to this report be enacted, adopting the Internal Audit Charter, attached as Appendix 2 to this report, and Audit Committee Terms of Reference, attached as Appendix 3 to this report;
 3. That the Audit Committee be given the opportunity to meet with the Director of Internal Audit, in closed session, at each meeting given proper authority under the Municipal Act with regard to a closed session exception; and
 4. That future citizen members be selected through the Citizen Appointments Committee.

Carried

The following motion was considered in regard to Item 6.6.

AU025-2020 That the report titled: **Quality Assurance Review of the Internal Audit Function- 2020 (I 87/2020)**, to the Audit Committee Meeting of September 8, 2020, be received.

Carried

6.2 Staff Report re: **Driver Certification Program (DCP) Specified Procedures Inspection Compliance Audits – Fleet and Fire & Emergency Services (I 84/2020)**

The following motion was considered.

AU026-2020 That the report titled: **Driver Certification Program (DCP) Specified Procedures Inspection Compliance Audits – Fleet and Fire & Emergency Services (I84/2020)**, to the Audit Committee Meeting of September 8, 2020, be received.

Carried

6.3 Staff Report re: **Corporate Fraud Prevention Hotline Update (I 85/2020)**

In response to questions from Committee, S. Kalkat, Director, Internal Audit, advised that each complaint received through the Corporate Fraud Prevention Hotline is investigated and provided information on the process for these investigations.

The following motion was considered.

AU027-2020 That the report titled: **Corporate Fraud Prevention Hotline Update (I85/2020)**, to the Audit Committee Meeting of September 8, 2020, be received.

Carried

6.4 Staff Report re: **Contract Awarding Process Audit (I 86/2020)**

Committee members expressed concern regarding the sample size (26 of 1615 active contracts) used to assess compliance with policies and procedures.

S. Kalkat, Director, Internal Audit, clarified that this was a compliance audit and provided information on the audit process.

The following motion was considered.

AU028-2020 That the report titled: **Contract Awarding Process Audit (I86/2020)**, to the Audit Committee Meeting of September 8, 2020, be received.

Carried

6.5 Staff Report re: **Status of Management Action Plans (MAPs) - June 30, 2020 (I 88/2020)**

The following motion was considered.

AU029-2020 That the report titled: **Status of Management Actions Plans-June 30, 2020 (I88/2020)**, to the Audit Committee Meeting of September 8, 2020, be received.

Carried

6.6 Staff Report re: **Quality Assurance Review of the Internal Audit Function - 2020 (I 87/2020)**

Dealt with under Item 6.1 – See Recommendation AU025-2020

7. **Reports – Finance** – nil

8. **Other/New Business**

9. **Question Period** – nil

10. **Public Question Period**

The public was given the opportunity to submit questions via e-mail to the City Clerk's Office regarding any decisions made at this meeting.

The Clerk confirmed that no questions were submitted.

11. **Closed Session**

11.1. Open Session meeting exception under Section 239 (2) (a) of the Municipal Act, 2001:

The security of the property of the municipality or local board.

The following motion was considered.

AU030-2020 That Committee proceed into Closed Session to discuss matters pertaining to the following:

11.1. Open Session meeting exception under Section 239 (2) (a) of the Municipal Act, 2001:

The security of the property of the municipality or local board.

Carried

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

11.1 – This item was considered by Committee in Closed Session and no direction was given to staff

12. **Adjournment**

The following motion was considered.

AU031-2020 That the Audit Committee do now adjourn to meet again for a Regular Meeting on November 24, 2020 at 9:30 a.m., or at the call of the Chair.

Carried

Regional Councillor R. Santos, Vice-Chair