

AGENDA



AUDIT COMMITTEE

THE CORPORATION OF THE CITY OF MISSISSAUGA

MONDAY, MARCH 4, 2013 – 9:00 AM

COUNCIL CHAMBER, 2ND FLOOR, CIVIC CENTRE,
300 CITY CENTRE DRIVE, MISSISSAUGA, ONTARIO L5B 3C1
<http://www.mississauga.ca>

Members

Councillor Jim Tovey, Ward 1
Councillor Pat Mullin, Ward 2
Councillor Bonnie Crombie, Ward 5 (Chair)
Councillor Ron Starr, Ward 6
Mayor Hazel McCallion, (*ex officio*)

Contact: Carmela Radice, Legislative Coordinator, Office of the City Clerk
905-615-3200 ext. 5426 Fax: 905-615-4181
carmela.radice@mississauga.ca

CALL TO ORDERDECLARATIONS OF (DIRECT OR INDIRECT) PECUNIARY INTERESTMINUTES OF PREVIOUS MEETING

- (a) Draft Minutes of the November 19, 2012 Audit Committee meeting.

Recommend AdoptionAPPROVAL OF THE AGENDADEPUTATIONS

- (a) Patti Elliott-Spencer, Director of Finance will be speaking to the Corporate Report titled "*Revised Corporate Policy – Investments.*"

MATTERS TO BE CONSIDERED

1. Report dated February 22, 2013 from the Director, Internal Audit re: **Final Audit Reports:**
 1. **Transportation & Works Department, Enforcement Division Parking Enforcement – Revenue Audit**
 2. **Corporate Services Department, Revenue Material Management & Business Services Division, Material Management – Medium Value Acquisition Audit**

Recommendation

That the report dated February 22, 2013 from the Director of Internal Audit with respect to final audit reports:

1. Transportation & Works Department, Enforcement Division, Parking Enforcement – Revenue Audit.
2. Corporate Services Department, Revenue, Materiel Management & Business Services Division, Materiel Management – Medium Value Acquisition Audit be received for information.

Recommend Receipt

2. Report dated February 22, 2013 from the Director, Internal Audit re: **Status of Recommendations from the External Quality Assurance Review of the Internal Audit Function.**

Recommendation

That the report dated February 22, 2013 from the Director, Internal Audit with respect to the Status of Recommendations from the External Quality Assurance Review of the Internal Audit Function be received for information.

Recommend Receipt

3. Report dated February 22, 2013 from the Director, Internal Audit re: **Proposed Revisions to Internal Audit Charter.**

Recommendation

1. That the proposed changes to the Internal Audit Charter (By-law 0240-2004) as detailed in the report dated February 22, 2013 from the Director of Internal Audit titled "Proposed Revisions to Internal Audit Charter, be approved.
2. That upon approval by the Audit Committee changes to the Internal Audit Charter be forwarded to Council for endorsement and for approval to amend By-law 0240-2004.

Recommend Approval

4. Report dated February 22, 2013, from the Director, Internal Audit re: **2013 Internal Audit Interim Work Plan.**

Recommendation

That the report dated February 22, 2013, from the Director, Internal Audit, with respect to the 2013 Internal Audit Interim Work Plan be approved.

Recommend Approval

5. Report dated February 21, 2013, from the Commissioner of Corporate Services and Treasurer re: **Revised Corporate Policy – Investments.**

Recommendation

That the revision to the Corporate Policy on Investments, attached as Appendix 1, to the report titled Revised Corporate Policy on Investments from the Commissioner of Corporate Services and Treasurer, dated February 12, 2013 be approved effective immediately.

Recommend Approval

CLOSED SESSION - Nil

INQUIRIES

ADJOURNMENT

Minutes



AUDIT COMMITTEE

THE CORPORATION OF THE CITY OF MISSISSAUGA

MONDAY, NOVEMBER 19, 2012 – 9:05 AM

**COUNCIL CHAMBER, 2ND FLOOR, CIVIC CENTRE,
300 CITY CENTRE DRIVE, MISSISSAUGA, ONTARIO L5B 3C1**

<http://www.mississauga.ca>

Members Present

Councillor Jim Tovey, Ward 1
Councillor Pat Mullin, Ward 2 (**Chair**)
Councillor Chris Fonseca, Ward 3
Councillor Ron Starr, Ward 6
Mayor Hazel McCallion, (ex officio)

Staff Present

Brenda R. Breault, Commissioner, Corporate Services and Treasurer
Mark Beauparlant, Manager of Corporate Financial Services
Sally Eng, Director, Internal Audit
Patricia Elliot-Spencer, Director of Finance
Kevin M. Travers, Partner, KPMG, external auditors
Diana Rusnov, Manager of Legislative Service and Deputy Clerk
Carmela Radice, Legislative Coordinator, Office of the City Clerk

CALL TO ORDER – 9:05 a.m.

DECLARATIONS OF (DIRECT OR INDIRECT) PECUNIARY INTEREST - Nil

MINUTES OF PREVIOUS MEETING

- (a) Draft Minutes of the September 24, 2012 Audit Committee meeting.

Recommendation

AC-0017-2012

That the audit committee minutes of September 24, 2012 be approved as presented.

Approved (J. Tovey)

APPROVAL OF THE AGENDA

That the agenda be approved as presented.

Motion: Moved by: C. Fonseca

Carried

DEPUTATIONS - Nil

MATTERS TO BE CONSIDERED

1. Report dated November 1, 2012 from the Commissioner of Corporate Services and Treasurer re: **2012 Audit Planning Report.**

Brenda Breault, Commissioner of Corporate Services and Treasurer provided an overview of the 2012 Audit Planning Report. Kevin Travers provided the changes that were made in 2012.

Recommendation

AC-0018-2012

1. That the report dated November 1, 2012 from the Commissioner of Corporate Services & Treasurer with respect to the 2012 Audit Planning Report, be received for information.
2. That the Audit Committee approve the Audit Planning Report (Appendix 1) for the City's 2012 statutory audit.

Approved (Mayor McCallion)

2. Report dated November 5, 2012 from the City Manager & Chief Administrative Officer re: **Status of Outstanding Audit Recommendations.**

Members of the Committee inquired about the outstanding recommendations. Sally Eng, Director of Internal Audit and Janice Baker, City Manager and CAO responded to the questions. Ms. Baker indicated that the recommendations are prioritized and more than half of the thirty recommendations that were outstanding from the previous status report would be completed by March 2013.

Recommendation

AC-0019-2012

That the report dated November 5, 2012 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations, be received for information.

Received (R. Starr)

3. Report dated November 6, 2012 from the Director of Internal Audit re: **Status of the Consulting Engagement on Information Security – Identity and Access Management for the Corporate Services Department, Information Technology Division.**

Sally Eng, Director of Internal Audit provided an overview on the status of the Consulting Engagement on Information Security – Identity and Access Management for the Corporate Services Department, Information Technology Division. Councillors Fonseca and Starr inquired about protocol when an error occurs. Shawn Slack, Director of Information Technology spoke to the protocol.

Recommendation

AC-0020-2012

That the report dated November 6, 2012 from the Director of Internal Audit regarding Status of the Consulting Engagement on Information Security – Identity and Access Management for the Corporate Services Department, Information Technology Division, be received for information.

Received (Mayor McCallion)

4. Report dated November 7, 2012 from the Director of Internal Audit re: **Internal Audit Quality Assurance Review.**

Sally Eng, Director of Internal Audit and Al Steinbach, Senior Internal Auditor provided a summary of the Internal Audit Quality Assurance Review. Members of the Committee posed questions about the independent consultant who completed the quality assurance review. Mr. Steinbach responded to the questions.

Recommendation

AC-0021-2012

That the report dated November 7, 2012 from the Director of Internal Audit regarding Internal Audit Quality Assurance Review, be received for information.

Received (J. Tovey)

5. Memorandum dated November 12, 2012, from Carmela Radice, Legislative Coordinator re: **Appointment of Chair for Audit Committee Commencing December 1, 2012 until November 30, 2013.**

Councillor Mullin declared the opening of nominations for appointment of Chair of the Audit Committee for the term of office to November 30, 2013.

Mayor McCallion moved that Councillor Pat Mullin be nominated to the office of Chair for the Audit Committee. Councillor Pat Mullin accepted the nomination of Chair of the Audit Committee.

Carried (Mayor McCallion)Recommendation

AC-0022-2012

That Councillor Pat Mullin be appointed to the office of Chair of the Audit Committee for the term of office to November 30, 2013.

Carried (Mayor McCallion)CLOSED SESSION - NilINQUIRIES - NilADJOURNMENT C. Fonseca 10:04 a.m.



Corporate Report

Clerk's Files

Originator's
Files

DATE: February 22, 2013

AUDIT COMMITTEE

March 4, 2013

TO: Chair and Members of Audit Committee
Meeting Date: March 4, 2013

FROM: Sally P. Eng, CPA, CA, CMA
Director, Internal Audit

SUBJECT: **Final Audit Reports:**
**1. Transportation & Works Department, Enforcement Division,
Parking Enforcement – Revenue Audit**
**2. Corporate Services Department, Revenue, Materiel
Management & Business Services Division, Materiel Management
– Medium Value Acquisition Audit**

RECOMMENDATION: That the report dated February 22, 2013 from the Director of Internal Audit with respect to final audit reports:

1. Transportation & Works Department, Enforcement Division, Parking Enforcement – Revenue Audit
2. Corporate Services Department, Revenue, Materiel Management & Business Services Division, Materiel Management – Medium Value Acquisition Audit be received for information.

BACKGROUND: In accordance with the Terms of Reference for the Audit Committee (By-law 0321-2010), 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 two audits, being:

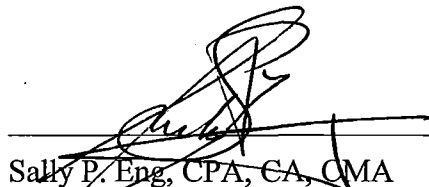
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1. Transportation & Works Department, Enforcement Division,
Parking Enforcement – Revenue Audit,
2. Corporate Services Department, Revenue, Materiel Management &
Business Services Division, Materiel Management – Medium Value
Acquisition Audit.

The two audit reports are separately bound and are hereby submitted
to the Audit Committee for consideration.

FINANCIAL IMPACT: Not applicable

CONCLUSION: The Transportation & Works Department, Enforcement Division,
Parking Enforcement – Revenue Audit and the Corporate Services
Department, Revenue, Materiel Management & Business Services
Division, Materiel Management – Medium Value Acquisition Audit
are now complete and are submitted for consideration by the Audit
Committee.



Sally P. Eng, CPA, CA, CMA
Director, Internal Audit

Prepared By: Sally P. Eng, CPA, CA, CMA
Director, Internal Audit



Corporate Report

Clerk's Files

Originator's
Files

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DATE: February 22, 2013

AUDIT COMMITTEE

March 4, 2013

TO: Chair and Members of Audit Committee
Meeting Date: March 4, 2013

FROM: Sally P. Eng, CPA, CA, CMA
Director, Internal Audit

SUBJECT: **Status of Recommendations from the External Quality Assurance
Review of the Internal Audit Function**

RECOMMENDATION: That the report dated February 22, 2013 from the Director, Internal Audit with respect to the Status of Recommendations from the External Quality Assurance Review of the Internal Audit Function be received for information.

BACKGROUND: The International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA) requires the development and maintenance of a quality assurance and improvement program which includes periodic internal and external quality assessments. An external assessment was completed in November 2012 by an Internal Audit, Risk, and Corporate Governance Consultant and confirmed that the Internal Audit Division of the City operates in accordance with the IIA's Professional Standards and Code of Ethics, as well as the City's Internal Audit Charter. Results of the assessment were presented to the Audit Committee at the November 19, 2012 meeting.

As part of the report of the External Quality Assessment Review, the Consultant presented five recommendations to Internal Audit for consideration to enhance the audit process.

COMMENTS:

Appendix 1 details the Recommendations, Rating and Status of Implementation. In summary, two of the five recommendations have been completed; and of the three remaining recommendations, two will be done before April 30, 2013:

- Proposed changes to the Internal Audit Charter will be presented to the Audit Committee for approval at the March meeting (Recommendation 1);
- The Internal Audit Procedures Manual has been updated and will be further enhanced once the Internal Audit Charter is approved and the Corporate Risk Assessment process, which is currently underway, is finalized (Recommendation 4); and
- Research into automated working paper systems will be conducted as part of Internal Audit's Business Plan for 2013-2016 and as time permits (Recommendation 2).


FINANCIAL IMPACT: None.

CONCLUSION:

Implementation of the recommendations offered by the independent Consultant as part of the External Quality Assessment Review of the Internal Audit Division is progressing. Two of the recommendations have been implemented and progress continues for the remaining three, of which two will be completed by April 30, 2013.

ATTACHMENT:

Appendix 1: Status of Recommendations from External Quality Assessment Review



Sally P. Eng, CPA, CA, CMA
Director, Internal Audit

*Prepared By: Sally P. Eng, CPA, CA, CMA
Director, Internal Audit*

Status of Recommendations from External Quality Assessment Review

	Current State of the IAD	Observation and Recommendation	Rating ¹	Internal Audit Comment / Status	Due Date
1	The Internal Audit charter is comprehensive and contains the key elements to enable the IAD to discharge its mandate. However, it does not fully conform to the IIA QA Manual (6 th ed.) model charter and it lacks mention of information technology standards (ISACA Standards) under which IT audits are conducted.	Consider revamping the Internal Audit charter to include the relevant paragraphs under the following headings: Introduction, Role, Professionalism, Authority, Organization, Independence and Objectivity, Responsibility, Internal Audit Plan, Reporting and Monitoring, and Period Assessment. Also, under "Professionalism" consider inserting compliance with ISACA Standards as well.	Low	Review of the existing Internal Audit Charter showed that while the headings used are different than those proposed by the Consultant, relevant information is incorporated into respective sections of the Charter. Revisions to the existing Charter have been prepared to further clarify the current role of Internal Audit and to acknowledge compliance with standards and guidelines of ISACA for information systems. The draft Charter will be presented to the Audit Committee at the March meeting. Upon approval by the Audit Committee, changes will be forwarded to Council for endorsement and amendment to the By-law.	March 31, 2013
2	Working paper files are not currently automated. With the thrust of a paperless environment, and the proliferation of technology, many audit shops are opting for the use of an established working paper software. More and more organizations are moving towards automating their	An automated working paper system should be introduced. With the focus on a green economy, the thrust of the audit effort should be towards using less paper. Paperless systems can improve the quality and efficiency of internal audits and foster new and creative approaches to auditing.	Moderate	Automation of audit management and working paper system is included in the 2013 to 2016 Business Plan for Internal Audit as part of a continuous improvement initiative. While we appreciate the recommendation from the Consultant, we feel that this is not an immediate priority for the Internal Audit Division	December 31, 2013

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Status of Recommendations from External Quality Assessment Review

	Current State of the IAD	Observation and Recommendation	Rating ¹	Internal Audit Comment / Status	Due Date
	<p>working papers which offer effective audit and management trails and conformance with established standards and frameworks.</p> <p>The audit departments at Calgary and Oshawa use an established automated working paper software.</p>	<p>Auditors can review and share audit files even if they are all at different locations. E.g., data can be retrieved from data bases stored on a USB key. The internal audit effort can become more efficient and effective. In fact, many audit departments report that new technologies are enabling them to meet or exceed their annual audit plans at less cost.</p> <p>Working paper software conforms to both IIA and ISACA standards and addresses all elements of the end-to-end audit process including quality assurance (QA) and follow-up activities. Moreover, it saves on paper and files are retained electronically. There is also provision for items to be scanned and attached as audit evidence.</p>		<p>given our size and centralized location. Therefore, the recommendation will not be addressed within 180 days as suggested by the "Moderate" Rating.</p> <p>To date, Internal Audit has received a demonstration on one of the automated systems. Research of other working paper systems, including discussion with municipalities which have implemented such software, will continue as time permits.</p> <p>A decision with respect to the automation of working papers will be made by the end of 2013.</p>	
3	A file completion checklist is not currently used in each working paper file. This is a good quality control mechanism commonly used to ensure that all elements of each phase of the audit – planning, fieldwork, and reporting – were	<p>Introduce a file completion checklist to include the following:</p> <p>Audit Planning</p> <ul style="list-style-type: none"> • Scope and Objectives determined; • Risk/Control matrix done; 	Low	A file checklist has been developed and has been incorporated into the Internal Audit Procedures Manual. The checklist will be used in going forward and for all audits that are currently in progress.	Completed

Status of Recommendations from External Quality Assessment Review

	Current State of the IAD	Observation and Recommendation	Rating ¹	Internal Audit Comment / Status	Due Date
	indeed completed.	<p>and</p> <ul style="list-style-type: none"> Entrance conference held. <p>Audit Fieldwork</p> <ul style="list-style-type: none"> Audit program executed; Findings are documented and supported; and Tests are properly carried out. <p>Reporting</p> <ul style="list-style-type: none"> Draft report discussed with management; Issues in report are properly supported; and Report has been issued within a reasonable time frame. <p>Quality Assurance</p> <ul style="list-style-type: none"> Review Notes have been cleared All working papers have been properly signed off. 			
4	<p>There is a comprehensive Audit Policy Manual that has a wealth of information.</p> <p>However, it can even be made better if it is expanded to cover additional internal audit-related material to help guide audit staff</p>	<p>The following are examples of areas to be included in the manual:</p> <ul style="list-style-type: none"> Audit Universe The complete IIA's IPPF IT Risk Assessment and Fraud Risk Assessment as part of the overall Risk 	Moderate	<p>The Internal Audit Manual is updated as necessary and currently includes some of the examples noted in the Recommendation.</p> <p>Further updates will be done to include</p> <ul style="list-style-type: none"> Revisions to the Internal Audit 	April 30, 2013

Status of Recommendations from External Quality Assessment Review

2(e)

	Current State of the IAD	Observation and Recommendation	Rating ¹	Internal Audit Comment / Status	Due Date
	members.	<p>Assessment</p> <ul style="list-style-type: none"> • Types of audit: Operational, Financial, Performance, Information technology, Special Investigations, etc. • Different groups at the City who perform related work, e.g., the Business Improvement group. • Performance metrics • IT audit methodology and standards. • CoBIT 5 Framework; • COSO Framework; and • COSO-ERM Framework. 		<p>Charter once it is approved by the Audit Committee and adopted through By-law;</p> <ul style="list-style-type: none"> • Revisions to the Corporate Risk Assessment Process with respect to the Audit Universe and development of the Internal Audit Work Plan. 	
5	The IAD currently has its own intranet on the City's website. But it lacks some key information such as links to the IIA-Toronto website, IIA Standards, IAD staff profiles, the audit process, and types of audit undertaken by the IAD. Inclusion of such information will help communicate and lift the profile of the audit effort throughout the City.	<p>The IAD site on the City's intranet should be used as the principal method to communicate the internal audit effort including developments and changes in the profession and related areas to include the following:</p> <ul style="list-style-type: none"> • IIA <i>Standards</i>; • Audit process; • Types of audit; • Staff profiles; • Links to other sites (IIA- 	Low	The Internal Audit Website has recently been updated. Further updates will be done as part of Internal Audit's continuous improvement initiative.	Completed

Status of Recommendations from External Quality Assessment Review

	Current State of the IAD	Observation and Recommendation	Rating ¹	Internal Audit Comment / Status	Due Date
		<p>Toronto, Audit Net, ISACA, etc.); and</p> <ul style="list-style-type: none"> • Developments and pronouncements. <p>Soft copies of any relevant seminar handouts, ideas, and journal articles should all be shared by posting these on the site.</p>			

1. Legend of Rating:

High – Recommended action should be implemented immediately.

Moderate – Recommended action requires management attention and should be implemented within a reasonable time period (180 days).

Low – Recommended action presented for management consideration but not critical to overall process.



Corporate Report

Clerk's Files

Originator's
Files

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DATE: February 22, 2013

TO: Chair and Members of Audit Committee
Meeting Date: March 4, 2013

FROM: Sally P. Eng, CPA, CA, CMA
Director, Internal Audit

SUBJECT: Proposed Revisions to Internal Audit Charter



- RECOMMENDATIONS:**
1. That proposed changes to the Internal Audit Charter (By-law 0240- 2004) as detailed in the report dated February 22, 2013 from the Director of Internal Audit, titled "Proposed Revisions to Internal Audit Charter", be approved.
 2. That, upon approval by the Audit Committee, changes to the Internal Audit Charter be forwarded to Council for endorsement and for approval to amend By-law 0240-2004.

BACKGROUND: The Internal Audit Charter was first approved by Council on June 23rd, 1993. Major revisions to the Charter were done in June 2004 to reflect changes in the internal auditing profession and services provided by the City's Internal Audit Division. The revised Charter was subsequently adopted by Council through By-law 0240-2004 on June 9th, 2004. Since then, periodic reviews were completed to ensure that the Charter continues to meet the expectation and requirements of the City. A review of the Internal Audit Charter was recently completed in response to a recommendation arising out of the External Quality Assessment Review of the Internal Audit function (completed in November 2012).

COMMENTS:

The main purpose of the Internal Audit Charter is to outline the mission, scope, organization, accountability, authority and responsibilities of the Internal Audit Division of the City. As part of the External Quality Assessment Review, the independent Consultant commented that the Internal Audit Charter is “comprehensive and contains the key elements to enable the IAD to discharge its mandate”. Nevertheless, the Consultant recommended a few areas for further clarification and to reflect current practices of the Internal Audit Division.

Appendix 1 shows a draft Internal Audit Charter with the proposed amendments highlighted. The amendments are as follows:

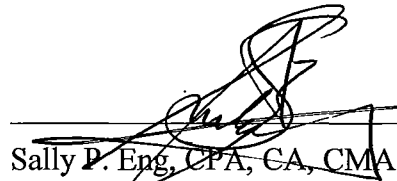
- Acknowledge and confirm that Internal Audit adheres to the standards and guidelines of ISACA for information systems, City policies and Internal Audit Procedures;
- Further emphasize that effectiveness and efficiency of key controls are part of Internal Audit’s assessment of the City’s risk management, control and governance processes;
- Further clarify that “Independence” includes “timing”, “frequency”, “coverage of audit activities” and “content of audit reports” which are under the authority of the Director of Internal Audit;
- Introduce the concept of “Objectivity” and explain how it applies to staff in Internal Audit in discharging their responsibilities;
- Expand on the list of business units which Internal Audit collaborates to promote effective governance, control and risk management;
- Add to the list of responsibilities to include maintenance of a quality assurance and improvement program, and report on the status of audit recommendations to the City Manager and Chief Administrative Officer.

FINANCIAL IMPACT: None.

CONCLUSION:

Internal Audit Charter (By-law 0240-2004) continues to be of relevance and meets the expectation and requirements of the Audit Committee. Recent review showed that updates to certain sections of the Charter are necessary to further clarify the role of Internal Audit and to reflect current practices of the Division.

ATTACHMENT: Appendix 1: Internal Audit Charter (Draft)



Sally P. Eng, CPA, CA, CMA
Director, Internal Audit

Prepared By: Sally P. Eng, CPA, CA, CMA
Director, Internal Audit

SCHEDULE 'A' TO BY-LAW NUMBER _____**INTERNAL AUDIT CHARTER****Mission**

Internal Audit is an independent, objective assurance and consulting activity, which is established to add value and improve the City's operations.

Internal Audit's mission is to assist the City in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Values and Operating Principles

Internal Audit's values and operating principles are as follows:

- ▶ Perform independent assessments of risk and control guided by the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, the standards, guidelines and procedures of ISACA for information systems; as well as the City's relevant policies and procedures and the Internal Audit Procedures Manual;
- ▶ Promote risk awareness and risk management throughout the City;
- ▶ Provide balanced, objective reporting on risk and control to management and the Audit Committee;
- ▶ Foster collaboration and teamwork to support management's efforts to achieve the City's objectives;
- ▶ Develop and maintain an audit team with versatile skills to respond to the needs of and to provide value to management and the Audit Committee.

Scope of Work

The scope of work of Internal Audit is to assess the City's risk management, control and governance processes, as designed and represented by management, to determine whether these processes are adequate and functioning in a manner which provides reasonable assurance that:

- ▶ Risks are appropriately identified and managed;
- ▶ Key controls in mitigating risks are effective and efficient;
- ▶ Corporate assets and funds are properly accounted for, recorded and safeguarded against losses from avoidable causes;
- ▶ Corporate resources are acquired economically and used efficiently for the achievement of the City's programs, plans and objectives;

- ▶ Activities of the City are in compliance with applicable federal and provincial statutes and regulations, with City goals, objectives, policies, plans, procedures, standards, regulations, by-laws and other directives of Council;
- ▶ Financial, managerial and operating information is accurate, reliable and timely.

Internal Audit will also provide management with recommendations and advice for improvements on the risk management, control and governance processes reviewed.

Independence and Objectivity

To provide for the independence of Internal Audit, its personnel report to a chief internal auditor known as Director, Internal Audit. The Director, Internal Audit reports functionally to the Audit Committee and administratively to the City Manager and Chief Administrative Officer in a manner outlined in the following section on Accountability.

The scope, direction, timing, frequency and coverage of the audit activities and content of audit reports are under the authority of the Director, Internal Audit having regard to circumstances and the resources available.

In the discharge of their duties outlined in the section on Responsibility, the Director, Internal Audit and staff of Internal Audit must maintain a necessary independent and objective mental attitude and must provide a balanced assessment of all the relevant circumstances in forming judgments and not be unduly influenced by their own interests or by others.

Accountability

The Director, Internal Audit, in the discharge of his/her duties, shall be accountable to the Audit Committee and the City Manager and Chief Administrative Officer to:

- ▶ Report significant issues related to the adequacy and effectiveness of the City's processes for controlling its activities and managing its risks, including recommendations for improvements to those processes and management's response for implementing corrective action;
- ▶ Periodically provide information on the status of the annual audit plan and the sufficiency of Internal Audit resources;
- ▶ Coordinate and work with other control, monitoring and continuous improvement functions such as legal, risk management, compliance, business improvement, security, and external audit, to promote an environment for effective governance, control and risk management.

Authority

The Director, Internal Audit and staff of Internal Audit are authorized to:

- ▶ Have free and unrestricted access to all operations, functions, records, property and personnel;
- ▶ Have full and free access to the Audit Committee;
- ▶ Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives;
- ▶ Obtain the necessary assistance of personnel in units of the City where they perform audits or reviews, as well as other specialized services from within or outside the City.

The Director, Internal Audit and staff of Internal Audit are not authorized to:

- ▶ Devise, develop or install systems or procedures, prepare records, make management decisions or undertake any activity which would relieve other staff of any responsibility assigned to them and which could be reasonably construed to compromise the independence of the audit;
- ▶ Initiate or approve accounting transactions external to Internal Audit;
- ▶ Direct the activities of any City employee not employed by Internal Audit, except to the extent such employees have been appropriately assigned to Internal Audit or otherwise to assist the internal auditors.

Responsibility

The Director, Internal Audit and staff of Internal Audit have responsibility to:

- ▶ Develop a flexible audit plan using an appropriate risk-based methodology, including any risks, control or governance concerns identified by management and submit that plan to the Audit Committee for review and approval as well as periodic updates;
- ▶ Implement the audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Audit Committee;
- ▶ Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter;
- ▶ Maintain a quality assurance and improvement program including ongoing monitoring and periodic internal assessment of the audit activity and an external assessment conducted at least once every five years by a qualified, independent reviewer outside the City;
- ▶ Assess significant new or changing services, processes, operations and control processes coincident with their development, implementation and/or expansion;
- ▶ Issue reports to the Audit Committee and management summarizing results of Internal Audit activities;

- ▶ Follow up on the status of outstanding audit recommendations and report to the City Manager and Chief Administrative Officer at least twice a year;
- ▶ Review new or revised Corporate and departmental policies, procedures and controls as required;
- ▶ Keep the Audit Committee informed of emerging trends and successful practices in internal auditing;
- ▶ Act as an ongoing resource to management by providing impartial and objective advice related to control and risk management issues;
- ▶ Assist in the investigation of significant suspected fraudulent activities in the City and notify management and Audit Committee of the results;
- ▶ Liaise with the City's external auditors as appropriate for the purpose of providing adequate audit coverage to the City.

DRAFT



Corporate Report

Clerk's Files

Originator's
Files

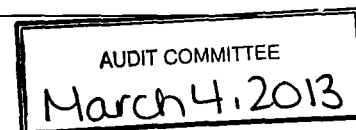
4

DATE: February 22, 2013

TO: Chair and Members of Audit Committee
Meeting Date: March 4, 2013

FROM: Sally P. Eng, CPA, CA, CMA
Director, Internal Audit

SUBJECT: **2013 Internal Audit Interim Work Plan**



RECOMMENDATION: That the report dated February 22, 2013 from the Director, Internal Audit, with respect to the 2013 Internal Audit Interim Work Plan be approved.

REPORT

HIGHLIGHTS:

- Internal Audit is responsible to develop a risk-based audit work plan for approval by the Audit Committee.
- A Corporate Risk Assessment is currently being conducted to identify, measure and prioritize risks. Results of the Assessment will be used to determine a multi-year Internal Audit work plan for 2013 to 2016 which will be presented to the Audit Committee for approval.
- An interim Internal Audit work plan is in place with focus on completing the 2012 projects that are currently in progress and the Marina Audit which was postponed to 2013 with the approval of the Audit Committee in September 2012.
- The interim work plan will also include testing of samples of 2013 investment transactions; consultative services and completion of outstanding recommendations from the External Quality Assessment Review conducted in November 2012.

BACKGROUND:

The Internal Audit Charter (By-law 0240-2004) charges the Internal Audit Division to “develop a flexible audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management and submit that plan to the Audit Committee for review and approval as well as periodic updates.”

COMMENTS:

A Corporate Risk Assessment is conducted every three years (with annual refresh) where Management is requested to assess the risks that are inherent in their normal course of conducting business. Results of the Assessment are used to develop a multi-year work plan for Internal Audit. The previous Assessment was completed in early 2010 and resulted in a three year work plan for 2010 to 2012.

A Corporate Risk Assessment project, similar to the one conducted in early 2010, is currently underway. As part of the project, Internal Audit is working with staff in the City Strategy and Innovations Division of the City Manager’s Department to determine the applicability of the risk factors and measurement criteria for corporate business planning and project management processes.

Once the Risk Assessment project is complete, results will be analysed and the Internal Audit work plan for 2013 to 2016 will be formulated and presented to the Leadership Team and the Audit Committee. Until then, an interim work plan is in place where Internal Audit staff continue to work on completing the projects carried over from 2012; plan for the Marina Audit which was postponed from 2012; commence testing for the 2013 Investment Audit; and provide on-going consultative services to management and staff.

Interim Work PlanAudits

As a result of changes in priority, additional time required relating to the Hershey Centre Phase 1 Audit and an increase in the percentage of time spent on consulting activities, a number of projects for 2012 were started later in the year than originally planned. In addition, the Marina Audit was postponed to 2013 with the approval of the Audit Committee at the September 24, 2012 meeting.

Appendix 1 provides details on the audits that are carried over from

2012 and shows the current status of each. The Parking Enforcement Revenue and the Medium Value Acquisitions Audits have been completed and the reports will be presented at the March Audit Committee meeting. The remaining projects are in various stages of progression and the Marina Audit will commence to coincide with the 2013 operating season of the Marina. As investment audits are performed on an annual basis due to the significant financial impact of the portfolio, samples of investment activities for 2013 will be selected and reviewed at various intervals throughout the year. Sample selection will commence shortly.

Consultative Services

Internal Audit continues to provide consultative services to Management and staff with the objectives of providing proactive advice to enhance controls and mitigate risks; to improve City's operations; and to ensure that issues identified are appropriately addressed.

Existing on-going consultation projects include Central Agreement Tracking System (CATS); Information Technology Security and Risk Management; proposed changes to the Purchasing By-law; feedback on new or amendments to corporate policies/procedures and business processes; and assistance in the implementation of previous audit recommendations. As required by the Internal Audit Charter, Audit's involvement in these projects is strictly in an advisory capacity.

Continuous Improvement Initiatives

Work continues with the implementation of the three outstanding recommendations from the External Quality Assurance Review (conducted in November 2012). Two of the recommendations will be completed by April 30, 2013 while research into automation of audit management and working paper systems will proceed as time permits.

FINANCIAL IMPACT: None.

CONCLUSION:

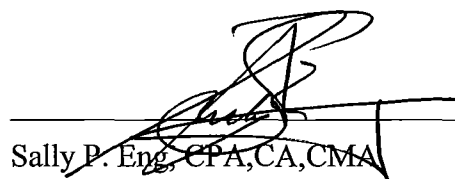
A Corporate Risk Assessment project is currently underway to facilitate the preparation of a comprehensive risk-based Internal Audit work plan for 2013 to 2016. Once formulated, the multi-year work plan will be presented to the Audit Committee for approval. In the meantime, Internal Audit is focussing on the interim work plan for

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2013 where priority is given to completing the 2012 projects that are in progress or have been postponed. In addition, testing for the 2013 Investment Audit will commence and Internal Audit will continue to provide consultative services to management for existing projects and as required, as well as implement the recommendations from the External Quality Assessment Review.

ATTACHMENT:

Appendix 1: 2013 Internal Audit Interim Work Plan – Projects
Carried Over / Postponed From 2012



Sally P. Eng, CPA, CA, CMA
Director, Internal Audit

*Prepared By: Sally P. Eng, CPA, CA, CMA
Director, Internal Audit*

**2013 Internal Audit Interim Work Plan
Projects Carried Over /Postponed From 2012**

	Project	Status	Comments
1.	Parking Enforcement Revenue	Completed	Audit Report to be presented at March Audit Committee Meeting.
2.	Purchasing - Medium Value Acquisitions	Completed	Audit Report to be presented at March Audit Committee Meeting.
3.	2012 Investment	In Progress	Field work is near completion.
4.	Library Union - Payroll	In Progress	Field work is underway.
5.	Hershey Centre - Phase 2 - Event Revenue	In Progress	Field work is underway. In addition, Internal Audit is providing assistance to staff in the Community Services Department in implementing the recommendations from Phase 1 of the Hershey Centre Audit and in reviewing cash handling procedures at the Hershey Centre and SportZone.
6.	Pay and Display Parking Revenue	Planning	Preliminary survey has been completed. Planning memorandum will be issued shortly.
7.	IT Hardware Inventory	Planning	Preliminary survey has been completed. Planning memorandum will be issued shortly.
8.	Marina	To Commence	Postponement of this audit was approved by the Audit Committee in September 2012. It is now scheduled to commence during the 2013 operating season of the Marina.

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Corporate Report

Clerk's Files

Originator's
Files

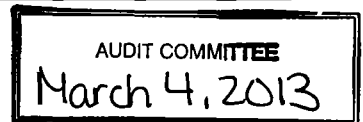
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DATE: February 21, 2013

TO: Chair and Members of Audit Committee
Meeting Date: March 4, 2013

FROM: Brenda R. Breault, CMA, MBA
Commissioner of Corporate Services and Treasurer

SUBJECT: Revised Corporate Policy - Investments



RECOMMENDATION: That the revision to the Corporate Policy on Investments, attached as Appendix 1, to the report titled Revised Corporate Policy on Investments from the Commissioner of Corporate Services and Treasurer, dated February 12, 2013 be approved effective immediately.

**REPORT
HIGHLIGHTS:**

- The Investment Policy has been reviewed to incorporate changes to the *Municipal Act, 2001* and other administrative changes.
- The revised policy will simplify administration and accounting by having only one City investment portfolio instead of the current two (short term and long term)
- The revised policy clarifies the allocation of investment earnings to reserve and reserve funds and the operating budget as per City practice and the requirements of the *Municipal Act, 2001*.
- Policy revisions also expand portfolio limits for investment in provincial securities other than Ontario; incorporate a 40 year term limit on any investment; and change the retention period to 180 days for downgraded securities, as per the *Municipal Act, 2001*.

BACKGROUND:

The *Municipal Act, 2001* (the Act) and Ontario Regulation 438/97, as amended through Ontario Regulation 373/11, provide parameters under which a municipality can invest.

The City's current Investment Policy falls within the boundaries of the Act. However, since the last Policy revision in 2007, various minor amendments have been made to the Act. This report outlines recommended updates to the Policy to reflect minor regulatory changes, and, to update some policy definitions and limits.

COMMENTS:

The Corporate Policy on Investments was last updated in 2007. The proposed changes to the existing policy have been reviewed by Legal and Audit and are outlined on the Comparison Chart, attached as Appendix 2.

The City maintains financial balances to support both near term and long term expenses. Currently, near term expenses (12 months) are covered by the short term investment portfolio; while longer term expenses are covered by the long term portfolio.

The following sets out the revisions that are proposed to the Policy:

1. Simplify Portfolio Structure and Administration:Current:

There are currently two investment portfolios holding City funds; the short term portfolio and the long term portfolio. The short term portfolio holds funds for operations and reserves; while the long term portfolio holds funds for reserve funds. Separate fund accounting and administration is required for both portfolios, thereby resulting in duplicated effort across systems of accounts.

Proposed:

To reduce and simplify accounting and fund administration, the Act allows for a single investment portfolio to house all City funds. Average portfolio earnings are distributed proportionately across interest eligible funds, based on month end balances.

It is proposed that the "City Funds Portfolio" be defined as the City's investment portfolio of cash and securities (short, medium or long term) providing the necessary cash flow, when required, to finance operating and capital budget expenses for current and future years.

This portfolio may contain cash and investment balances emanating from: the Operating Fund, the Capital Fund, Reserves and Reserve Funds, unspent cash proceeds from temporary short term borrowing and unspent cash proceeds from long term debenture issuance.

2. Allocation of Investment Earnings:

Current

The policy allocates earnings to respective short term and long term portfolios, based on balances associated with those portfolios.

Proposed

Allocate the combined earned investment revenue to the Operating Fund, based on the operating budget, and allocate earnings to Reserve Funds, based on the combined portfolio yield. In accordance with Act, Reserve Funds will receive the earnings yield of the combined portfolio, as applied to respective Reserve Fund month end balances. The Operating Fund will receive earnings, as estimated in the Annual Operating Budget.

3. Investment in Non-Ontario Provincial Securities:

Current

The existing policy limit for investments in non-Ontario Provincial Bonds is up to 10% (there is no maximum limit for Ontario Bonds).

Proposed

It is proposed that the non-Ontario Provincial maximum portfolio investment limit to 20%. This would improve portfolio diversity into other Canadian Provinces which may offer a better credit rating, or a higher yield.

4. Maximum Term Limits:

Current

There is currently no limit on the maximum term of government securities that the City can invest in.

Proposed

In keeping with the Act's debt term limit of 40 years, it is proposed that a 40 year maximum term limit be included in the policy.

5. Regulatory Changes: Downgraded SecuritiesCurrent

The Act previously allowed 90 days to dispose of downgraded securities, and this was reflected in the City's Policy. Revisions to the Act now allow for 180 days for the disposition of securities, downgraded below minimum thresholds.

Proposed

It is proposed the City's Policy be amended to incorporate the 180 day time limit provision.

6. Additional minor administrative changes

The revised policy provides the Commissioner of Corporate Services and Treasurer authority to delegate in writing to designated staff. Other minor changes include updated credit rating tables, as per the Credit Rating agencies; and some nomenclature additions/changes, as follows.

Name Additions/Changes:

(a) Replace the term "short-term investment" with "Short Term Security".

- A Short Term Security is to be defined as, "a security that matures in 6 months or less, from the date of investment until maturity."

(b) Replace the term "long-term investment" with "Long Term Security".

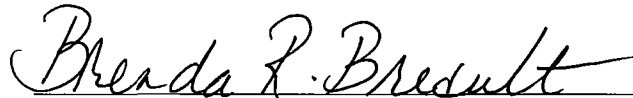
- A Long Term Security be defined as, "a security that matures in greater than 5 years, from the date of investment until maturity."

(c) Add a new definition for "Medium Term Security". A Medium Term Security is, "a security that matures between 6 months and 5 years, from the date of investment until maturity."

FINANCIAL IMPACT: The Investment Policy ensures the City's financial resources are invested in a prudent and responsible manner, ensuring preservation of principal, maintenance of liquidity and a competitive rate of return.

CONCLUSION: The proposed updates to the Corporate Policy on Investments reflect relevant amendments to the *Municipal Act*, updated definitions and some cash management modifications.

ATTACHMENTS: Appendix 1: Revised Corporate Policy and Procedure – Investments
Appendix 2: Comparison Chart - Corporate Policy on Investments



Brenda R. Breault, CMA, MBA
Commissioner of Corporate Services and Treasurer

Prepared By: Mark Waugh, Investment Portfolio Manager

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Corporate Policy and Procedure



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TAB:	FINANCE AND ACCOUNTING
SECTION:	INVESTMENTS
SUBJECT:	INVESTMENTS

POLICY STATEMENT	The City of Mississauga strives for the optimum utilization of its cash resources within statutory limitations and the basic need to protect and preserve capital, while maintaining solvency and liquidity to meet on-going financial requirements.
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PURPOSE	The purpose of this policy is to outline the objectives and criteria that guide the investment of City funds.
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SCOPE	This policy applies to all future investment of Operating Funds, Reserves, Reserve Funds, Trust Funds and Sinking Funds of the City of Mississauga.
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LEGISLATIVE AUTHORITY	The City's investment practices comply with the provisions of the <i>Municipal Act, 2001</i> , as amended, specifically Part XIII – Debt and Investment, and Ontario Regulation 438/97, last amended by O. Reg. 373/11.
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Investments made by the City are further restricted by the limitations and terms outlined in this policy.

DEFINITIONS	<p>For the purposes of this policy:</p> <p>The “City Funds Portfolio” means the City’s investment portfolio of cash and securities that provides the necessary cash flow to finance operating and capital budget expenses for current and future years. This portfolio may contain cash and investment balances emanating from: the Operating Fund, the Capital Fund, Reserves and Reserve Funds, unused cash proceeds from temporary short term borrowing and unused cash proceeds from</p>
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long term debenture issuance.

The “DCA Portfolio” means the segregated investment portfolio containing cash proceeds associated with *Development Charges Act* (DCA) funds. This portfolio may hold cash or Short, Medium or Long Term Securities.

“DBRS” means Dominion Bond Rating Service Limited.

“Fitch” means Fitch Ratings.

A “Long-Term Security” means a security that matures in greater than 5 years from the date of the investment.

A “Medium Term Security” means a security that matures in 5 years or less, but greater than 6 months, from the date of the investment.

“Moody’s” means Moody’s Investors Services Inc.

“Ontario college” means a college established under the Ontario *Colleges of Applied Arts and Technology Act, 2002*, as amended.

“Ontario university” means a university in Ontario that is authorized to engage in an activity described in Section 3 of the *Post-Secondary Education Choice and Excellence Act, 2000* as amended.

The “Operating Fund” means the general operating fund of the municipality that provides the resources necessary to sustain the day-to-day activities of the City, such as payment of all administrative and general operating expenses. Tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund.

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“Reserve Fund(s)” means a fund that is segregated and restricted to meet the purposes of the specific Reserve Fund.

“Reserves” means an appropriation from net revenue at the discretion of Council, after the provision of all known expenditures. Reserves have no reference to any specific asset and do not require the physical segregation of money or assets.

“S&P” means Standard and Poor’s.

A “Short Term Security” means a security that matures in 6 months or less from the date of the investment.

“Sinking Funds” means a segregated pool of funds managed by the Region of Peel for which an estimated amount in each year, with interest compounded annually, will be sufficient to pay the principal of the related Sinking Fund Debentures at maturity.

“Trust Funds” means a fund that is established as the result of an arrangement whereby money, property (or other valuables) are held by a municipality or local board for the benefit of another. The Finance Division manages the Trust Funds which segregates funds associated with the care and maintenance of cemeteries, under subsection 35 of the *Cemeteries Act*.

OBJECTIVES

Priorities for the investing of funds are as follows:

1. legality of investments;
2. preservation of principal;
3. maintenance of liquidity; and
4. competitive rate of return.

INVESTMENT PORTFOLIO

The City Funds Portfolio aims for both diversification and near risk-free investments to ensure security of capital. Total net

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earnings from combined investments are distributed amongst City Fund Portfolio accounts, as per-the following:

1. Allocate City Funds Portfolio earnings to Reserve Funds based on the average portfolio yield calculation (N.B. the yield calculation uses average daily portfolio balances). Apply the portfolio yield to month end Reserve Fund balances.
2. Allocate City Funds Portfolio earnings to the Operating Fund based on the Annual Operating Budget investment revenue budget estimate.
3. Allocate any remaining unallocated City Funds Portfolio earnings proportionately to Reserve Funds, and to interest-eligible reserves, if any exist.

All investments must meet the criteria outlined below regarding types of securities in which the City may invest; investment quality; size limitations; and term of investments.

Emphasis is placed on securities offered by, or unconditionally guaranteed by, the Government of Canada, a province of Canada, or banks listed in Schedule I to the *Bank Act*.

The City is not permitted to invest in any security that is expressed or payable in any currency other than Canadian dollars.

Investments in school boards in Canada will be made only if the City is satisfied that the money to be raised by the board is to be used for school purposes.

TYPES OF SECURITIES

Ontario Regulation 438/97, as amended, sets out specific types of securities in which a municipality may invest. The City has no authority to invest in securities other than those prescribed by the Regulation. (Refer to Section 2 of the Regulation.)

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Provided the City maintains a minimum credit rating of either:

- DBRS: AA(low) or higher, or
- Fitch AA- or higher, or
- Moody's: AA3 or higher, or
- S&P: AA- or higher,

then the following security types are permitted as investments:

- asset-backed securities;
- corporate bonds, debentures or promissory notes (1-5 years); and
- negotiable promissory notes or commercial paper (1 year or less)

INVESTMENT QUALITY: SHORT TERM SECURITIES

The available credit ratings for a Short Term Security are as follows:

Rating Quality	DBRS	FITCH	MOODY'S	S & P
High Grade	R1	F1	Prime-1	A-1
Medium Grade	R2	F2	Prime-2	A-2
Lower Grade	R3	F3	Prime-3	A-3
Speculative	R3	B	Not Prime	B

Investments in a Short Term Security of a Canadian chartered bank listed in Schedule I to the *Bank Act* does not require a credit rating if the investment will be for a period of 183 days or less and is approved, in writing, by the Commissioner of Corporate Services and Treasurer.

Other than the above exception, investment in a Short Term Security of the following types:

- banks, trust and loan corporations;
- Ontario universities;
- board of governors of an Ontario college;
- board of a public hospital;
- a non-profit housing corporation; and

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- a local housing corporation is limited, by either of DBRS, S&P, Moody's and Fitch, to the following minimum ratings:
 - DBRS: R1(low), or
 - S&P: A-1-, or
 - Moody's: Prime-1, or
 - Fitch: F1(low).

Trust companies and loan corporations must also qualify according to the criteria established under the *Trustee Act*.

The following Short Term Security types:

- asset-backed securities; and
 - negotiable promissory notes, or commercial paper
- are limited, by either of DBRS, S&P, Moody's and Fitch, to the following minimum ratings:
- DBRS: R1(high), or
 - Fitch: F1(high), or
 - Moody's: Prime-1, or
 - S&P: A-1+

If a Short Term Security is downgraded below the minimum credit rating, it will be sold within 180 days of the downgrade date.

INVESTMENT QUALITY: MEDIUM AND LONG TERM SECURITIES

The available credit ratings, for either a Medium or Long Term Security, are as follows:

Rating Quality	DBRS	FITCH	MOODY'S	S & P
Highest Grade	AAA	AAA	Aaa	AAA
High Grade	AA	AA	Aa	AA
Upper Medium Grade	A	A	A	A
Lower Medium Grade	BBB	BBB	Baa	BBB
Speculative	BB	BB	Ba	BB
Highly Speculative	B	B	B	B

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Extremely Speculative	CCC to C	CCC to C	C (all grades)	CCC to C
Default	D	DDD to D		D

Investment in a Medium or Long Term Security for:

- a country other than Canada;
 - banks, trust and loan corporations; and
 - corporate bonds, debentures or promissory notes (unless invested in the ONE Universe Corporate Bond Fund),
- is limited, by either of DBRS, S&P, Moody's and Fitch, to the following minimum ratings:
- DBRS: AA(low), or
 - Fitch: AA-, or
 - Moody's: Aa3, or
 - S&P: AA-

Investment in either a Medium or Long Term Security of the following types:

- asset-backed securities;
 - supranational financial institutions;
 - supranational governmental organizations other than the International Bank for Reconstruction and Development,
- is limited, by either of DBRS, S&P, Moody's and Fitch, to the following minimum ratings::
- DBRS: AAA, or
 - Fitch: AAA, or
 - Moody's: Aaa, or
 - S&P: AAA

If a Medium or Long Term Security is downgraded below the minimum credit rating, it will be sold within 180 days of the downgrade date.

PORTFOLIO SIZE: LIMITATIONS

Portfolio size limitations are based on the allowable percentage of

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the total portfolio on the day the investment is made. Total portfolio and the investment shall be measured at par value for the purposes of determining size limitations.

SIZE LIMITS: FEDERAL, PROVINCIAL, TERRITORIAL, INTERNATIONAL

Securities issued or guaranteed by the Government of Canada or a province or territory of Canada shall comprise not less than 30 per cent of the total investment portfolio at all times, and may comprise 100 per cent of the portfolio if prudence so dictates.

The following individual maximum limits apply:

- a province other than Ontario - 20 percent each;
- a Canadian territory - 10 per cent each;
- countries other than Canada - five per cent in total;
- Infrastructure Ontario (or successor) - five per cent;
- British Columbia Municipal Finance Authority - five per cent;
- International Bank for Reconstruction and Development - five per cent; and
- supranational governmental organizations – five per cent in total.

SIZE LIMITS: MUNICIPAL, SCHOOL BOARD AND LOCAL BOARDS

Aggregate investment in municipal securities including conservation authorities, school boards, and other local boards cannot exceed 20 per cent of the total investment portfolio. The following individual maximum limits apply:

- municipalities, school boards and local boards in Ontario - 10 per cent per municipality or board;
- other municipalities and school boards in Canada - five per cent per municipality or school board;
- Ontario universities – two per cent;
- board of governors of an Ontario college – two per cent;
- board of a public hospital – two per cent;
- non-profit housing corporation – two per cent; and

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- local housing corporation – two per cent.

SIZE LIMITS: FINANCIAL INSTITUTIONS

Aggregate investment in the financial institutions listed below shall not exceed 70 per cent of the total investment portfolio. The aggregate holdings in financial institutions other than the banks listed in Schedule I to the *Bank Act* shall not exceed 40 per cent of the total investment portfolio. The following maximum limits apply to the individual institution:

- banks listed in Schedule I to the *Bank Act* - 20 per cent;
- banks listed in Schedule II to the *Bank Act* - 10 per cent;
- banks listed in Schedule III to the *Bank Act* - five per cent;
- trust and loan companies - two per cent;
- credit unions or leagues – two per cent; and
- supranational financial institutions – five per cent

SIZE LIMITS: NON-FINANCIAL INSTITUTIONS (OTHER)

Investments in the following securities may not exceed the following maximum limits of the total portfolio:

- asset-backed securities - 20 per cent (each individual asset-backed trust – five per cent);
- corporate bonds, debentures or promissory notes not included in the ONE Universe Corporate Bond Fund – five per cent; and
- negotiable promissory notes or commercial paper – five per cent.

SIZE LIMITS: MUNICIPAL INVESTMENT POOLS

Aggregate investment in eligible municipal investment pools (according to Section 420(1) of the *Municipal Act, 2001*) shall not exceed 20 per cent of the total investment portfolio. Eligible municipal investment pools and the maximum limits for each are:

- ONE Money Market Fund – 10 per cent;
- ONE Bond Fund – 10 per cent;

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- ONE Universe Corporate Bond Fund – five per cent; and
- ONE Equity Fund – five per cent.

PORTFOLIO MAXIMUM TERM LIMITATIONS:

The maximum terms of investments are outlined below:

Government Securities

- Canadian federal, provincial or territorial security – 40 years;
- supranational government organizations – 15 years; and
- a country other than Canada – 15 years

Municipalities, School Boards and Local Boards

- municipalities in Ontario – 40 years;
- other municipalities in Canada - 15 years;
- school boards in Canada and local boards in Ontario - 12 months;
- Ontario universities – 12 months;
- board of governors of an Ontario college – 12 months;
- board of a public hospital – 12 months;
- non-profit housing corporation – 12 months; and
- local housing corporation – 12 months

Financial Institutions

- banks listed in Schedule I to the *Bank Act* - 10 years;
- banks listed in Schedule II to the *Bank Act* - five years;
- banks listed in Schedule III to the *Bank Act* – two years;
- trust and loan companies - six months;
- credit unions and leagues – six months; and
- supranational financial institution – five years.

Non-Financial and Other

- asset-backed securities – five years
- negotiable promissory notes or commercial paper – one year; and
- corporate bonds, debentures or promissory notes not included in the ONE Universe Corporate Bond Fund – five years.

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Municipal Investment Pools • eligible municipal investment pools – 40 years.

TRUST FUNDS ACCOUNTS

Investments with respect to the Trust Funds shall comply with the *Trustee Act*, R.S.O. 1990.c.T.23, as amended.

The following exceptions apply to the investment of Trust Funds:

- When an investment is made under a trust name with a financial institution covered by Canada Deposit Insurance Corporation (CDIC), yield consideration may take precedence up to the maximum amount covered under CDIC; and
- Investment in stocks or corporate bonds is not permitted.

AUTHORITY TO MAKE INVESTMENTS

By-law 323-2000 establishes the authority of the Commissioner of Corporate Services and Treasurer to make investments on behalf of the City. The Commissioner, or the Commissioner's designate in writing, may:

- enter into arrangements with banks, investment dealers and brokers, and other financial institutions for the purchase, sale, redemption, issuance, transfer and safekeeping of securities;
- execute and sign documents on behalf of the City (safekeeping agreements must also be signed by the City Manager); and
- perform all other related acts in the day to day operation of the investment program.

CONTROLS

Under By-law 323-2000, the Commissioner of Corporate Services and Treasurer is responsible for the development and maintenance of suitable procedures to provide for effective control and management of investments. Investment procedures include the following requirements:

- The Commissioner of Corporate Services and Treasurer designates, in writing, all persons authorized to enter into

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investment transactions on behalf of the City of Mississauga;

- All investments are confirmed by signature by the individual making the investment and ratified by signature by the Commissioner of Corporate Services and Treasurer, or the Director, Finance or the written designate of either of them;
- All cash management transactions are recorded and interest earnings distributed to the various funds, as the case may be, in accordance with City practices and generally accepted accounting principles for Ontario municipalities;
- Provision is made to obtain insurance coverage at all times to guard against any losses that may occur due to misappropriation, theft, or other acts of fraud by employees;
- The Commissioner of Corporate Services and Treasurer shall submit to Council, at least once per year, a report on the performance and components of the City of Mississauga portfolio of investments during the period covered by the report; and
- The Commissioner of Corporate Services and Treasurer shall report to Council on any investment that, in the Commissioner's opinion, is not consistent with the City's policies and goals, within 30 days of becoming aware of the inconsistency.

REFERENCE: AC-0012-2007 – 2007 05 23

LAST REVIEW DATE: February, 2013

CONTACT: For more information, contact the Investment Portfolio Manager, Finance Division, Corporate Services Department.

Comparison Chart – Investments Policy
February 12, 2013

Appendix 2

Current Policy - deletions (strikeouts) and additions (highlights)	Proposed Policy – clean version	Rationale for Change
POLICY STATEMENT The City of Mississauga strives for the optimum utilization of its cash resources within statutory limitations and the basic need to protect and preserve capital, while maintaining solvency and liquidity to meet on-going financial requirements.	POLICY STATEMENT No Change	
PURPOSE The purpose of this policy is to outline the objectives and criteria that guide the investment of City funds.	PURPOSE The purpose of this policy is to outline the objectives and criteria that guide the investment of City funds.	New section to align with Corporate Policy structure.
SCOPE This policy applies to all future investment of Revenue, Reserve, Trust and Sinking Funds of the City of Mississauga.	SCOPE No Change	
LEGISLATIVE AUTHORITY The City's investment practices comply with the provisions of the <i>Municipal Act, 2001</i> , as amended, specifically Part XIII – Debt and Investment, and Ontario Regulation 438/97, last as amended by O. Reg. 373/11. Investments made by the City are further restricted by the limitations and terms outlined in this policy.	LEGISLATIVE AUTHORITY The City's investment practices comply with the provisions of the <i>Municipal Act, 2001</i> , as amended, specifically Part XIII – Debt and Investment, and Ontario Regulation 438/97, last amended by O. Reg. 373/11. No Change	Updated with amended Regulation.
DEFINITIONS For the purposes of this policy:	DEFINITIONS For the purposes of this policy:	To align with other Corporate Policies, the definitions now appear

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Comparison Chart – Investments Policy
February 12, 2013

Appendix 2

Current Policy - deletions (strikeouts) and additions (highlights)	Proposed Policy – clean version	Rationale for Change
The “ short term asset pool ” includes “City Funds Portfolio” means the City’s investment portfolio of cash and securities that provides the necessary cash flow to finance operating and capital budget expenses for current and future years. This portfolio may contain cash balances emanating from: the Operating Fund, Current Funds, Development Act Charges Reserve Fund, unexpended Capital Funds, Reserves, and the portion of Reserve Funds, unused cash proceeds from temporary short term borrowing and unused cash proceeds from long term debenture issuance. that have not been invested in long term investments. Funds are maintained to provide for Current and Capital cash flow needs arising within one year.	The “City Funds Portfolio” means the City’s investment portfolio of cash and securities that provides the necessary cash flow to finance operating and capital budget expenses for current and future years. This portfolio may contain cash and investment balances emanating from: the Operating Fund, the Capital Fund, Reserves and Reserve Funds, unused cash proceeds from temporary short term borrowing and unused cash proceeds from long term debenture issuance.	in alphabetical order. Additional definitions have been added for clarity. To reduce and simplify accounting and fund administration, the Act allows for a single investment portfolio to house all City funds.
The “DCA Portfolio” means the segregated investment portfolio containing cash proceeds associated with <i>Development Charges Act</i> (DCA) funds. This portfolio may hold cash or Short, Medium or Long Term Securities.	The “DCA Portfolio” means the segregated investment portfolio containing cash proceeds associated with <i>Development Charges Act</i> (DCA) funds. This portfolio may hold cash or Short, Medium or Long Term Securities.	
“DBRS” means Dominion Bond Rating Service Limited	No Change	
Fitch” means Fitch Ratings.	No Change	
A “Long Term Security investment ” is means an investment a security that matures more in greater than one five years from the date of the investment, issue .	A “Long Term Security” means a security that matures in greater than 5 years from the date of the investment.	Definition ‘clean-up’. Aligns with industry convention and Municipal Act’s reference to ‘securities’.
A “Medium Term Security” means a security that matures in 5 years or less, but greater than 6 months, from the date of the investment.	A “Medium Term Security” means a security that matures in 5 years or less, but greater than 6 months, from the date of the investment.	Introduce ‘medium term’ definition to bridge definitional term gap between

Comparison Chart – Investments Policy
February 12, 2013

Appendix 2

Current Policy - deletions (strikeouts) and additions (highlights)	Proposed Policy – clean version	Rationale for Change
		short term and long term securities.
“Moody’s” means Moody’s Investors Services Inc.	No Change	
“Ontario college” means a college established under the Ontario <i>Colleges of Applied Arts and Technology Act, 2002</i> , as amended.	No Change	
“Ontario university” means a university in Ontario that is authorized to engage in an activity described in Section 3 of the <i>Post-Secondary Education Choice and Excellence Act, 2000</i> , as amended.	No Change	
The “Operating Fund means the general operating fund of the municipality that provides the resources necessary to sustain the day-to-day activities of the City, such as payment of all administrative and general operating expenses. Tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund.	The “Operating Fund means the general operating fund of the municipality that provides the resources necessary to sustain the day-to-day activities of the City, such as payment of all administrative and general operating expenses. Tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund.	
“Reserve Fund(s)” means a fund that is segregated and restricted to meet the purposes of the specific Reserve Fund.	“Reserve Fund(s)” means a fund that is segregated and restricted to meet the purposes of the specific Reserve Fund.	
“Reserves” means an appropriation from net revenue at the discretion of Council, after the provision of all known expenditures. Reserves have no reference to any specific asset and do not require the physical segregation of money or assets.	“Reserves” means an appropriation from net revenue at the discretion of Council, after the provision of all known expenditures. Reserves have no reference to any specific asset and do not require the physical segregation of money or assets.	
“S&P” means Standard and Poor’s.	No Change	

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Comparison Chart – Investments Policy
February 12, 2013

Appendix 2

Current Policy - deletions (strikeouts) and additions (highlights)	Proposed Policy – clean version	Rationale for Change
A “Short Term Security investment ” is means an investment a security that matures one year 6 months or less from the date of issue the investment.	A “Short Term Security” means a security that matures in 6 months or less from the date of the investment.	Replace the term “short-term investment” with “Short Term Security”.
“Sinking Funds” means a segregated pool of funds managed by the Region of Peel for which an estimated amount in each year, with interest compounded annually, will be sufficient to pay the principal of the related Sinking Fund Debentures at maturity.	“Sinking Funds” means a segregated pool of funds managed by the Region of Peel for which an estimated amount in each year, with interest compounded annually, will be sufficient to pay the principal of the related Sinking Fund Debentures at maturity.	
“Trust Funds” means a fund that is established as the result of an arrangement whereby money, property (or other valuables) are held by a municipality or local board for the benefit of another. The Finance Division manages the Trust Funds, which segregates funds associated with the care and maintenance of cemeteries under subsection 35 of the <i>Cemeteries Act</i> .	“Trust Fund” means a fund that is established as the result of an arrangement whereby money, property (or other valuables) are held by a municipality or local board for the benefit of another. The Finance Division manages the Trust Funds, which segregates funds associated with the care and maintenance of cemeteries under subsection 35 of the <i>Cemeteries Act</i> .	
OBJECTIVES Priorities for the investing of funds are as follows: 1. legality of investments; 2. preservation of principal; 3. maintenance of liquidity; and 4. competitive rate of return.	OBJECTIVES No Changes	
INVESTMENT PORTFOLIO The investment portfolios aim for both diversification and near risk-free investments to ensure security of the capital. Any Total net earnings derived from an investments shall be credited to the short-	INVESTMENT PORTFOLIO The portfolios aim for both diversification and near risk-free investments to ensure security of capital. Total net earnings from investments are distributed amongst City Fund Portfolio accounts, as per the following:	Currently, the policy allocates earnings to respective short term and

Comparison Chart – Investments Policy
February 12, 2013

Appendix 2

Current Policy - deletions (strikeouts) and additions (highlights)	Proposed Policy – clean version	Rationale for Change
<p>term asset pool or the long term asset pool from which the money was invested. are distributed amongst City Fund Portfolio accounts, as per the following: The City is permitted to invest in advances to the City's Capital account.</p> <ol style="list-style-type: none"> 1. allocate minimum required interest to Reserve Funds based on the average City Funds Portfolio yield calculation against proportional balances 2. distribute City Funds Portfolio earnings to the Operating Fund based on the Annual Operating Budget 3. distribute remaining City Funds Portfolio earnings proportionately to interest-eligible Reserves and Reserve Funds. <p>Investments that are permitted by Regulation 438/97, as amended in:</p> <ul style="list-style-type: none"> • asset-backed securities • corporate bonds, debentures or promissory notes (1-5 years) • negotiable promissory notes or commercial paper (1-year or less may be made provided that the City of Mississauga's credit rating is: <ul style="list-style-type: none"> – DBRS: AA(low) or higher, or – Fitch AA or higher, or – Moody's: Aa3 or higher, or – S&P: AA or higher. <p>All investments must meet the criteria outlined below regarding types of securities in which the City may invest; investment quality; size limitations; and term of investments.</p> <p>Emphasis is placed on securities offered by, or unconditionally</p>	<ol style="list-style-type: none"> 1. allocate minimum required interest to Reserve Funds based on the average City Funds Portfolio yield calculation against proportional balances 2. distribute City Funds Portfolio earnings to the Operating Fund based on the Annual Operating Budget 3. distribute remaining City Funds Portfolio earnings proportionately to interest-eligible Reserves and Reserve Funds. <p>Moved to Types of Securities section</p> <p>No Change</p> <p>No Change – moved from Types of Securities section only</p>	<p>long term portfolios, based on balances associated with those portfolios. The proposed policy allocates earnings as outlined.</p>

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Comparison Chart – Investments Policy
February 12, 2013

Appendix 2

Current Policy - deletions (strikeouts) and additions (highlights)	Proposed Policy – clean version	Rationale for Change
<p>guaranteed by, the Government of Canada, a province of Canada, or banks listed in Schedule I to the <i>Bank Act</i>.</p> <p>The City is not permitted to invest in any security that is expressed or payable in any currency other than Canadian dollars.</p> <p>Investments in school boards in Canada will be made only if the City is satisfied that the money to be raised by the board is to be used for school purposes.</p>	<p>No Change – moved from Types of Securities section only</p> <p>No Change – moved from Types of Securities section only</p>	
<p>TYPES OF SECURITIES Ontario Regulation 438/97, as amended, sets out specific types of securities in which a municipality may invest. The City has no authority to invest in securities other than those prescribed by the Regulation. (Refer to Section 2 of the Regulation.)</p> <p>Provided the City maintains a minimum Credit Rating of either:</p> <ul style="list-style-type: none"> - DBRS: AA(low) or higher, or - Fitch AA- or higher, or - Moody's: AA3 or higher, or - S&P: AA- or higher, <p>then the following Security types are permitted as investments:</p> <ul style="list-style-type: none"> • asset-backed securities; • corporate bonds, debentures or promissory notes (1-5 years); and • negotiable promissory notes or commercial paper (1 year or less) 	<p>TYPES OF SECURITIES No Change</p> <p>No Change – reordered paragraphs only</p>	
<p>INVESTMENT QUALITY: SHORT TERM SECURITIES The quality of short term investments is rated as follows:</p>	<p>INVESTMENT QUALITY: SHORT TERM SECURITIES</p>	

Comparison Chart – Investments Policy
February 12, 2013

Appendix 2

Current Policy - deletions (strikeouts) and additions (highlights)	Proposed Policy – clean version	Rationale for Change																																																		
The available credit ratings for a Short Term Security are as follows: : <table><tr><th>Rating Quality</th><th>DBRS</th><th>FITCH</th><th>MOODY'S</th><th>S & P</th></tr><tr><td>Prime-Credit High Grade</td><td>R1</td><td>F1</td><td>Prime-1</td><td>A-1</td></tr><tr><td>Medium Grade</td><td>R2</td><td>F2</td><td>Prime-2</td><td>A-2</td></tr><tr><td>Lower Grade</td><td>R3</td><td>F3</td><td>Prime-3</td><td>A-3</td></tr><tr><td>Below-Medium Grade Speculative</td><td>R3</td><td>F3 B</td><td>Prime-3 Not Prime</td><td>A-3 B</td></tr></table>	Rating Quality	DBRS	FITCH	MOODY'S	S & P	Prime-Credit High Grade	R1	F1	Prime-1	A-1	Medium Grade	R2	F2	Prime-2	A-2	Lower Grade	R3	F3	Prime-3	A-3	Below-Medium Grade Speculative	R3	F3 B	Prime-3 Not Prime	A-3 B	The available credit ratings for a Short Term Security are as follows: : <table><tr><th>Rating Quality</th><th>DBRS</th><th>FITCH</th><th>MOODY'S</th><th>S & P</th></tr><tr><td>High Grade</td><td>R1</td><td>F1</td><td>Prime-1</td><td>A-1</td></tr><tr><td>Medium Grade</td><td>R2</td><td>F2</td><td>Prime-2</td><td>A-2</td></tr><tr><td>Lower Grade</td><td>R3</td><td>F3</td><td>Prime-3</td><td>A-3</td></tr><tr><td>Speculative</td><td>R3</td><td>B</td><td>Not Prime</td><td>B</td></tr></table>	Rating Quality	DBRS	FITCH	MOODY'S	S & P	High Grade	R1	F1	Prime-1	A-1	Medium Grade	R2	F2	Prime-2	A-2	Lower Grade	R3	F3	Prime-3	A-3	Speculative	R3	B	Not Prime	B	Updates definitions and ratings categories to reflect changes at credit agencies.
Rating Quality	DBRS	FITCH	MOODY'S	S & P																																																
Prime-Credit High Grade	R1	F1	Prime-1	A-1																																																
Medium Grade	R2	F2	Prime-2	A-2																																																
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Lower Grade	R3	F3	Prime-3	A-3																																																
Speculative	R3	B	Not Prime	B																																																
Short-term Investments in a Short Term Security of a Canadian chartered bank listed in Schedule I to the <i>Bank Act</i> does not require a credit rating if the investment will be for a period of 183 days or less, and is approved, in writing, by the Commissioner of Corporate Services and Treasurer. All other short-term Other than the above exception, investments in a Short Term Security of the following type: <ul style="list-style-type: none">banks, trust and loan corporations ;Ontario universities;board of governors of an Ontario college;board of a public hospital;a non-profit housing corporation; anda local housing corporation	Investments in a Short Term Security of a Canadian chartered bank listed in Schedule I to the <i>Bank Act</i> does not require a credit rating if the investment will be for a period of 183 days or less, and is approved, in writing, by the Commissioner of Corporate Services and Treasurer. Other than the above exception, investment in a Short Term Security of the following types: No Change to bullets	Minor wording changes for clarity. Minor wording changes for clarity. Minor wording changes for clarity.																																																		

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Comparison Chart – Investments Policy
February 12, 2013

Appendix 2

Current Policy - deletions (strikeouts) and additions (highlights)	Proposed Policy – clean version	Rationale for Change																																																																																										
<p>Term Security, are as follows:</p> <table><tr><th>Rating Quality</th><th>DBRS</th><th>FITCH</th><th>MOODY’S</th><th>S & P</th></tr><tr><td>Highest Grade</td><td>AAA</td><td>AAA</td><td>Aaa</td><td>AAA</td></tr><tr><td>Very Good High Grade</td><td>AA</td><td>AA</td><td>Aa</td><td>AA</td></tr><tr><td>Good Upper Medium Grade</td><td>A</td><td>A</td><td>A</td><td>A</td></tr><tr><td>Lower Medium Grade</td><td>BBB</td><td>BBB</td><td>Baa</td><td>BBB</td></tr><tr><td>Lower Medium Speculative</td><td>BB</td><td>BB</td><td>Ba</td><td>BB</td></tr><tr><td>Poor Highly Speculative</td><td>B</td><td>B</td><td>B</td><td>B</td></tr><tr><td>Extremely Speculative</td><td>CCC to C</td><td>CCC to C</td><td>C (all grades)</td><td>CCC to C</td></tr><tr><td>Default</td><td>CC to C D</td><td>DDD to D</td><td></td><td>C & D</td></tr></table>	Rating Quality	DBRS	FITCH	MOODY’S	S & P	Highest Grade	AAA	AAA	Aaa	AAA	Very Good High Grade	AA	AA	Aa	AA	Good Upper Medium Grade	A	A	A	A	Lower Medium Grade	BBB	BBB	Baa	BBB	Lower Medium Speculative	BB	BB	Ba	BB	Poor Highly Speculative	B	B	B	B	Extremely Speculative	CCC to C	CCC to C	C (all grades)	CCC to C	Default	CC to C D	DDD to D		C & D	<p>are as follows:</p> <table><tr><th>Rating Quality</th><th>DBRS</th><th>FITCH</th><th>MOODY’S</th><th>S & P</th></tr><tr><td>Highest Grade</td><td>AAA</td><td>AAA</td><td>Aaa</td><td>AAA</td></tr><tr><td>High Grade</td><td>AA</td><td>AA</td><td>Aa</td><td>AA</td></tr><tr><td>Upper Medium Grade</td><td>A</td><td>A</td><td>A</td><td>A</td></tr><tr><td>Lower Medium Grade</td><td>BBB</td><td>BBB</td><td>Baa</td><td>BBB</td></tr><tr><td>Speculative</td><td>BB</td><td>BB</td><td>Ba</td><td>BB</td></tr><tr><td>Highly Speculative</td><td>B</td><td>B</td><td>B</td><td>B</td></tr><tr><td>Extremely Speculative</td><td>CCC to C</td><td>CCC to C</td><td>C (all grades)</td><td>CCC to C</td></tr><tr><td>Default</td><td>D</td><td>DDD to D</td><td></td><td>D</td></tr></table>	Rating Quality	DBRS	FITCH	MOODY’S	S & P	Highest Grade	AAA	AAA	Aaa	AAA	High Grade	AA	AA	Aa	AA	Upper Medium Grade	A	A	A	A	Lower Medium Grade	BBB	BBB	Baa	BBB	Speculative	BB	BB	Ba	BB	Highly Speculative	B	B	B	B	Extremely Speculative	CCC to C	CCC to C	C (all grades)	CCC to C	Default	D	DDD to D		D	<p>categories to reflect changes at credit agencies.</p>
Rating Quality	DBRS	FITCH	MOODY’S	S & P																																																																																								
Highest Grade	AAA	AAA	Aaa	AAA																																																																																								
Very Good High Grade	AA	AA	Aa	AA																																																																																								
Good Upper Medium Grade	A	A	A	A																																																																																								
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Poor Highly Speculative	B	B	B	B																																																																																								
Extremely Speculative	CCC to C	CCC to C	C (all grades)	CCC to C																																																																																								
Default	CC to C D	DDD to D		C & D																																																																																								
Rating Quality	DBRS	FITCH	MOODY’S	S & P																																																																																								
Highest Grade	AAA	AAA	Aaa	AAA																																																																																								
High Grade	AA	AA	Aa	AA																																																																																								
Upper Medium Grade	A	A	A	A																																																																																								
Lower Medium Grade	BBB	BBB	Baa	BBB																																																																																								
Speculative	BB	BB	Ba	BB																																																																																								
Highly Speculative	B	B	B	B																																																																																								
Extremely Speculative	CCC to C	CCC to C	C (all grades)	CCC to C																																																																																								
Default	D	DDD to D		D																																																																																								
<p>Long term Investment in a Medium or Long Term Security for:</p> <ul style="list-style-type: none">• a country other than Canada;• banks, trust and loan corporations; and• corporate bonds, debentures or promissory notes (unless invested in the ONE Universe Corporate Bond Fund) <p>is are limited, by either of DBRS, S&P, Moody’s and Fitch, to</p>	<p>Investment in a Medium or Long Term Security for:</p> <p>No Change to bullets</p> <p>is limited, by either of DBRS, S&P, Moody’s and Fitch, to the following</p>	<p>Minor wording changes for clarity.</p>																																																																																										

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Comparison Chart – Investments Policy
February 12, 2013

Appendix 2

Current Policy - deletions (strikeouts) and additions (highlights)	Proposed Policy – clean version	Rationale for Change
securities given the following minimum ratings: <ul style="list-style-type: none"> - DBRS: AA(low), or - Fitch: AA-, or - Moody's: Aa3, or - S&P: AA- 	minimum ratings: No Change to bullets	
Long term Investments in either a Medium or Long Term Security of the following types: <ul style="list-style-type: none"> • asset-backed securities; • supranational financial institutions; and • supranational governmental organizations other than the International Bank for Reconstruction and Development are limited by either of DBRS, S&P, Moody's and Fitch, to securities given the following minimum ratings by: <ul style="list-style-type: none"> - DBRS: AAA, or - Fitch: AAA, or - Moody's: Aaa, or - S&P: AAA 	Investment in either a Medium or Long Term Security of the following types: No Change to bullets is limited, by either of DBRS, S&P, Moody's and Fitch, to the following minimum ratings:: No Change to bullets	Minor wording changes to include Medium Term Securities.
If a Medium or Long Term investment as noted above falls Security is downgraded below the minimum credit rating, the City it will sell the investment be sold within 90 180 days after the day the investment falls below the minimum rating of the downgrade date.	If a Medium or Long Term Security is downgraded below the minimum credit rating, it will be sold within 180 days of the downgrade date.	As per the <i>Municipal Act</i> , extends holding period of a security, whose credit rating is below policy limits, to 180 days.
PORTFOLIO SIZE: LIMITATIONS Portfolio size limitations are based on the allowable percentage of the total portfolio on the day the investment is made. Total portfolio and the investment shall be measured at par value for the purposes of	PORTFOLIO SIZE: LIMITATIONS No Change	

Comparison Chart – Investments Policy
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Appendix 2

Current Policy - deletions (strikeouts) and additions (highlights)	Proposed Policy – clean version	Rationale for Change
determining size limitations.		
<p>SIZE LIMITS for Government Securities: FEDERAL, PROVINCIAL, TERRITORIAL, INTERNATIONAL Securities issued or guaranteed by the Government of Canada or a province or territory of Canada shall comprise not less than 30 per cent of the total investment portfolio at all times, and may comprise 100 per cent of the portfolio if prudence so dictates. The following individual <u>maximum</u> limits apply:</p> <ul style="list-style-type: none"> • a province other than Ontario or a territory - 10 20 per cent each; • a Canadian territory 10 per cent each; • countries other than Canada – five per cent in total; • Ontario Strategic Infrastructure Financing Authority Ontario (or successor) – five per cent; • British Columbia Municipal Finance Authority of British Columbia – five per cent; • International Bank for Reconstruction and Development – five per cent; and • supranational governmental organizations – five per cent in total. 	<p>SIZE LIMITS: FEDERAL, PROVINCIAL, TERRITORIAL, INTERNATIONAL No Change</p> <ul style="list-style-type: none"> • a province other than Ontario – 20 percent each; • a Canadian territory - 10 per cent each; • countries other than Canada – five per cent in total; • Infrastructure Ontario (or successor) – five per cent; • British Columbia Municipal Finance Authority – five per cent; • International Bank for Reconstruction and Development – five per cent; and • supranational governmental organizations – five per cent in total. 	Enhances portfolio diversification by increasing room available to invest in provinces other than Ontario.
<p>SIZE LIMITS: MUNICIPAL, SCHOOL BOARD AND LOCAL BOARDS Aggregate investment in municipal securities including conservation authorities, school boards, and other local boards cannot exceed 20 per cent of the total investment portfolio. The following individual <u>maximum</u> limits apply:</p> <ul style="list-style-type: none"> • municipalities, school boards and local boards in Ontario - 10 per 	<p>SIZE LIMITS: MUNICIPAL, SCHOOL BOARD AND LOCAL BOARDS No Change</p>	

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Comparison Chart – Investments Policy
February 12, 2013

Appendix 2

Current Policy - deletions (strikeouts) and additions (highlights)	Proposed Policy – clean version	Rationale for Change
<p>cent per municipality or board;</p> <ul style="list-style-type: none"> • other municipalities and school boards in Canada - five per cent per municipality or school board; • Ontario universities – two per cent; • board of governors of an Ontario college – two per cent; • board of a public hospital – two per cent; • non-profit housing corporation – two per cent; and • local housing corporation – two per cent. 		
<p>SIZE LIMITS: FINANCIAL INSTITUTIONS Aggregate investment in the financial institutions listed below shall not exceed 70 per cent of the total investment portfolio. The aggregate holdings in financial institutions other than the banks listed in Schedule I to the <i>Bank Act</i> shall not exceed 40 per cent of the total investment portfolio. The following <u>maximum</u> limits apply to the individual institution:</p> <ul style="list-style-type: none"> • banks listed in Schedule I to the <i>Bank Act</i> - 20 per cent; • banks listed in Schedule II to the <i>Bank Act</i> - 10 per cent; • banks listed in Schedule III to the <i>Bank Act</i> - five per cent ; • trust and loan companies - two per cent; • credit unions or leagues – two per cent; and • supranational financial institutions – five per cent 	<p>SIZE LIMITS: FINANCIAL INSTITUTIONS No Change</p>	
<p>SIZE LIMITS: NON-FINANCIAL INSTITUTIONS (OTHER) Investments in the following securities may not exceed the following <u>maximum</u> limits of the total portfolio:</p>	<p>SIZE LIMITS: NON-FINANCIAL INSTITUTIONS (OTHER) No Change.</p>	<p>Changed order of 2nd and 3rd bullets; no other changes.</p>

Comparison Chart – Investments Policy
February 12, 2013

Appendix 2

Current Policy - deletions (strikeouts) and additions (highlights)	Proposed Policy – clean version	Rationale for Change
<ul style="list-style-type: none"> asset-backed securities - 20 per cent (each individual asset-backed trust – five per cent); corporate bonds, debentures or promissory notes (not included in the ONE Universe Corporate Bond Fund) – five per cent ; and negotiable promissory notes or commercial paper – five per cent 		
SIZE LIMITS: MUNICIPAL INVESTMENT POOLS Aggregate investment in eligible municipal investment pools (according to Section 420(1) of the <i>Municipal Ac, 2001</i>) shall not exceed 20 per cent of the total investment portfolio. Eligible municipal investment pools and the <u>maximum</u> limits for each are: <ul style="list-style-type: none"> ONE Money Market Fund – 10 per cent; ONE Bond Fund – 10 per cent; ONE Universe Corporate Bond Fund – five per cent; and ONE Equity Fund – five per cent. 	SIZE LIMITS: MUNICIPAL INVESTMENT POOLS No Change	
PORTFOLIO MAXIMUM TERM of Investments LIMITATIONS: The <u>maximum</u> terms of investments are outlined below:	PORTFOLIO MAXIMUM TERM LIMITATIONS: No Change	
Maximum Term for Government Securities <ul style="list-style-type: none"> Canadian federal, provincial or territorial security – 40 years; supranational government organizations – 15 years; and a country other than Canada –15 years. 	Government Securities <ul style="list-style-type: none"> Canadian federal, provincial or territorial security – 40 years supranational government organizations – 15 years a country other than Canada –15 years 	Added 40 year term limit to investments.
Maximum Term for Municipalities, School Boards and Local Boards Securities	Municipalities, School Boards and Local Boards	Added 40 year term limit to

5(d)(d)

**Comparison Chart – Investments Policy
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Appendix 2

Current Policy - deletions (strikeouts) and additions (highlights)	Proposed Policy – clean version	Rationale for Change
<ul style="list-style-type: none"> • municipalities in Ontario - no limit; • other municipalities in Canada - 15 years; • school boards in Canada and local boards in Ontario - 12 months; • Ontario universities – 12 months; • board of governors of an Ontario college – 12 months; • board of a public hospital – 12 months; • non-profit housing corporation – 12 months; and • local housing corporation – 12 months 	<ul style="list-style-type: none"> • municipalities in Ontario– 40 years 	investments.
Maximum Term for Financial Institutions Securities <ul style="list-style-type: none"> • banks listed in Schedule I to the <i>Bank Act</i> - 10 years; • banks listed in Schedule II to the <i>Bank Act</i> - five years; • banks listed in Schedule III to the <i>Bank Act</i> – two years; • trust and loan companies - six months; • credit unions and leagues – six months; and • supranational financial institution – five years 	Financial Institutions No Change	
Maximum Term for Non-Financial and Other Securities <ul style="list-style-type: none"> • asset-backed securities – five years; • negotiable promissory notes or commercial paper – one year; and • corporate bonds, debentures or promissory notes not included in the ONE Universe Corporate Bond Fund – five years 	Non-Financial and Other No Change	
Maximum Term for Municipal Investment Pools <ul style="list-style-type: none"> • eligible municipal investment pools - no limit. 	Municipal Investment Pools <ul style="list-style-type: none"> • eligible municipal investment pools - 40 years. 	Added 40 year term limit to investments.
TRUST ACCOUNTS	TRUST ACCOUNTS	

Comparison Chart – Investments Policy
February 12, 2013

Appendix 2

Current Policy - deletions (strikeouts) and additions (highlights)	Proposed Policy – clean version	Rationale for Change
<p>Investments with respect to the Trust Portfolio shall comply with the <i>Trustee Act, R.S.O. 1990.c.T.23</i>, as amended.</p> <p>The above guidelines following exceptions apply to the investments of Trust Funds subject to the following exceptions:</p> <ul style="list-style-type: none"> • When an investment is made under a trust name with a financial institution covered by Canada Deposit Insurance Corporation (CDIC), yield consideration may take precedence up to the maximum amount covered under CDIC; and • Investment in stocks or corporate bonds is not permitted. 	<p>No Change.</p> <p>The following exceptions apply to the investment of Trust Funds:</p> <p>No change to bullets.</p>	<p>Minor wording change for clarity.</p>
<p>AUTHORITY TO MAKE INVESTMENTS</p> <p>By-law 323-2000 establishes the authority of the Commissioner of Corporate Services and Treasurer to make investments on behalf of the City. The Commissioner, or the Commissioner's designate in writing, may:</p> <ul style="list-style-type: none"> • enter into arrangements with banks, investment dealers and brokers, and other financial institutions for the purchase, sale, redemption, issuance, transfer and safekeeping of securities; • execute and sign documents on behalf of the City (safekeeping agreements must also be signed by the City Manager); and • perform all other related acts in the day to day operation of the investment program. 	<p>AUTHORITY TO MAKE INVESTMENTS</p> <p>By-law 323-2000 establishes the authority of the Commissioner of Corporate Services and Treasurer to make investments on behalf of the City. The Commissioner, or the Commissioner's designate in writing, may:</p> <p>No Change to bullets</p>	<p>Minor wording change to add Commissioners designate in writing to align with the existing By-law.</p>
<p>CONTROLS</p> <p>Under By-law 323-2000, the Commissioner of Corporate Services and Treasurer is responsible for the development and maintenance of</p>	<p>CONTROLS</p> <p>No Change</p>	

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**Comparison Chart – Investments Policy
February 12, 2013**

Appendix 2

Current Policy - deletions (strikeouts) and additions (highlights)	Proposed Policy – clean version	Rationale for Change
<p>suitable procedures to provide for effective control and management of investments. Investment procedures include the following requirements:</p> <ul style="list-style-type: none"> • The Commissioner of Corporate Services and Treasurer designates, in writing, all persons authorized to enter into investment transactions on behalf of the City of Mississauga; • All investments are confirmed by signature by the individual making the investment and ratified by signature by the Commissioner of Corporate Services and Treasurer, or the Director, Finance or the written designate of either of them; • All cash management transactions are recorded and interest earnings distributed to the various funds, as the case may be, in accordance with City practices and generally accepted accounting principles for Ontario municipalities; • Provision is made to obtain insurance coverage at all times to guard against any losses that may occur due to misappropriation, theft, or other acts of fraud by employees; • The Commissioner of Corporate Services and Treasurer shall submit to Council, at least once per year, a report on the performance and components of the City of Mississauga portfolio of investments during the period covered by the report; and • The Commissioner of Corporate Services and Treasurer shall 		

Comparison Chart – Investments Policy
February 12, 2013

Appendix 2

Current Policy - deletions (strikeouts) and additions (highlights)	Proposed Policy – clean version	Rationale for Change
report to Council on any investment that, in the Commissioner's opinion, is not consistent with the City's policies and goals, within 30 days of becoming aware of the inconsistency.		

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