

MINUTES



AUDIT COMMITTEE

THE CORPORATION OF THE CITY OF MISSISSAUGA

MONDAY, MARCH 17, 2008 - 9:00 A.M.

COMMITTEE ROOM 'B'
SECOND FLOOR, MISSISSAUGA CIVIC CENTRE
300 CITY CENTRE DRIVE, MISSISSAUGA, ONTARIO L5B 3C1
<http://www.mississauga.ca>

Members Present

Councillor Frank Dale, Ward 4
Councillor Eve Adams, Ward 5 (Chair)
Councillor Katie Mahoney, Ward 8
Mayor Hazel McCallion (*ex-officio*)

Members Absent

Nil

Staff Present

Janice Baker, City Manager and Chief Administrative Officer
Brenda R. Breault, Commissioner of Corporate Services and Treasurer
Roberto Rossini, Director, Finance
Sally Eng, Director, Internal Audit
Craig Emick, IT Auditor, Internal Audit
Keith Kamino, Senior Auditor, Internal Audit
Robin Uba, Audit Associate, Internal Audit
Mark Beauparlant, Manager, Financial Services, Finance Division
Karen Waterman, Sr. Financial Analyst, Policy & Investments, Finance Division
Eric Draycott, Director, Human Resources
Mavis Reid, Manager, Compensation & Benefits, Human Resources
Casey Picard, Legal Counsel, Legal Services
Ken Owen, Director, Facilities & Property Management
Jamie Hillis, Manager, Security & Operations
Debbie Sheffield, Legislative Coordinator, Office of the City Clerk

Others Present

Elizabeth Dos Santos, Audit Manager, KPMG

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CALL TO ORDER

APPOINTMENT OF THE CHAIR TO AUDIT COMMITTEE FOR 2008

DECLARATIONS OF (DIRECT OR INDIRECT) PECUNIARY INTEREST

MINUTES OF PREVIOUS MEETING(s)

Minutes of the Audit Committee meeting held on November 26, 2007
(Previously circulated to the 2007 Audit Committee for approval.)

PRESENTATIONS/DEPUTATIONS

- A. Item 2 Sally Eng, Director, Internal Audit, will provide a Powerpoint presentation with respect to the 2008 Work Plan for Internal Audit.

MATTERS CONSIDERED

1. Final Audit Report: Corporate Services Department 2007 Investment Audit
2. 2008 Work Plan for Internal Audit
3. Proposed Corporate Policy: “Code of Conduct and Complaint Procedure for Security Staff”
4. Date of Next Meeting: May 5, 2008 at 9:00 a.m., Committee Room “B”

CLOSED SESSION

(Pursuant to Subsection 239(2) of the *Ontario Municipal Act, 2001*, as amended)

1. In-Camera Report - Personal Matters about an Identifiable Individual, Including Municipal or Local Board Employees - Full-time Employees who also hold Part-time Positions with the City of Mississauga

ADJOURNMENT

CALL TO ORDER – 9:00 a.m.

APPOINTMENT OF THE CHAIR TO AUDIT COMMITTEE FOR 2008

A verbal motion made by Mayor Hazel McCallion to nominate Councillor Eve Adams as Chair of the Audit Committee for 2008, was voted on and carried.

APPROVED

Recommendation AC-0001-2008 (Mayor Hazel McCallion)

MG.24.Audit

DECLARATIONS OF (DIRECT OR INDIRECT) PECUNIARY INTEREST

Nil

MINUTES OF PREVIOUS MEETING(s)

Minutes of the Audit Committee meeting held on November 26, 2007

(Previously circulated to the 2007 Audit Committee for approval.)

A verbal motion made by Councillor Frank Dale to approve the minutes as presented for the Audit Committee meeting held on November 26, 2007, was voted on and carried.

APPROVED

Recommendation AC-0002-2008 (Councillor Frank Dale)

MG.24.Audit

PRESENTATIONS/DEPUTATIONS

- A. Item 2 Sally Eng, Director, Internal Audit, will provide a Powerpoint presentation with respect to the 2008 Work Plan for Internal Audit.

A request was made by Sally Eng, Director, Internal Audit to move her Powerpoint presentation to coincide with the discussion for Item #2. Committee was in agreement with her request.

MATTERS CONSIDERED1. Final Audit Report: Corporate Services Department 2007 Investment Audit

Report dated March 3, 2008 from the Director, Internal Audit with respect to the Final Audit Report: Corporate Services Department 2007 Investment Audit

RECOMMENDATION

That the report dated March 3, 2008 from the Director of Internal Audit with respect to final audit report – Corporate Services Department 2007 Investment Audit be received for information.

Keith Kamino, Senior Auditor discussed the over \$1 billion investment portfolio (as of December 31, 2007), its components and the rate of return, and indicated that investment audits are done on an annual basis because of the size of the portfolio. He explained that a separately bound audit report was prepared for 2007, and that recent changes to the Ontario Regulation have led to changes to the City's Investment Policy which has allowed for diversification in the investment portfolio, and improvement in the rate of return. In summary, Mr. Kamino stated that all audit objectives have been met and the Audit Program will be reviewed again for the 2008 audit.

In response to Mayor McCallion's inquiry, Rob Rossini, Director, Finance advised that benchmarks are set for both the short and long term portfolios and an annual report is prepared for Council. He explained that the 90 day T-Bill rate is the benchmark for short term investment and the Scotia McLeod Index is the benchmark used for long term investment, which is typical of municipal managed funds. He discussed balancing return with preservation of capital and mentioned that with events in the U.S., we have had to act prudently. Mr. Rossini advised that when amendments are made to policy, Karen Waterman, Sr. Financial Analyst reviews various vehicles and makes assessments to balance return while using a cautious approach.

Rob Rossini verified that a comparison with other municipalities is conducted every year and Karen Waterman confirmed that the City of Mississauga generally rates in the top half. Ms. Waterman advised that a greater portion of the City's portfolio is shorter term than other municipalities, i.e. The Region, and as a result, will generate a lower rate of return. Ms. Waterman stated that she regularly attends economic updates.

A verbal motion by Councillor Frank Dale to approve the recommendation in the Corporate Report dated March 3, 2008 from the Director, Internal Audit was voted on and carried.

RECEIVED

Recommendation AC-0003-2008 (Councillor Frank Dale)

CA.15

2. 2008 Work Plan for Internal Audit

Report dated February 29, 2008 from the Director, Internal Audit with respect to the 2008 Work Plan for Internal Audit.

RECOMMENDATION

1. That the report dated February 29, 2008 from the Director of Internal Audit, with respect to the 2008 Work Plan for Internal Audit be received for information.
2. That an audit of the Living Arts Centre be added to the 2008 Audit Work Plan.
3. That the Purchasing Audit and the Cheque Requisitions Audit be deferred and be considered for the 2009 Internal Audit Work Plan.

Sally Eng, Director, Internal Audit began her Powerpoint presentation by describing the two-year Work Plan for 2007-2008 approved by Audit Committee on March 26, 2007. She continued by explaining the risk-based methodology and criteria used when developing the work plan, i.e. financial, management control, confidentiality, public sensitivity, staff turnover, training, complexity of systems, documentation etc. She noted four common themes that emerged from the assessment as being contract administration; revenue/cash handling; payments/payroll; and information technology which were used to determine the selection of audits. Ms. Eng stated that the Work Plan was intended to be flexible to accommodate changes in priorities and additional requests.

Sally Eng advised that in September 2007 a progress report was presented to Audit Committee and a review of the Work Plan, and additional requests for audit and consultation, was conducted in early 2008. She noted that Appendix 2 of the Corporate Report dated February 29, 2008 lists the projects carried over from 2007 which are noted as near completion or in-progress, and the projects planned for 2008. Ms. Eng discussed

a new request from the Living Arts Centre Board of Directors for an LAC Audit, as they do not have their own internal audit unit. Ms. Eng, with the concurrence of Janice Baker, City Manager and Chief Administrative Officer, conducted a preliminary risk assessment on the LAC and advised of her plan to meet with the LAC Audit Committee members. She noted that the Prestocard project (formerly GTA Farecard and Smart Card), will necessitate additional time commitment with increased activities, the timing of which is not within our control, as the project is run provincially by the Ministry of Transportation.

Ms. Eng explained the impact on the current Work Plan. In particular, the purchasing and cheque requisition audits originally scheduled for 2008, which she recommended be deferred to 2009/2010 to allow for a reallocation of resources. She advised that there is no increased risk and this will allow management time to complete implementation of recommendations already raised in previous related audits. In addition, there are three contract audits and one payment audit scheduled for 2008 which will touch upon purchasing and payment related issues.

In response to Mayor McCallion's inquiry, Sally Eng indicated that when evaluating bids for contracts, the financial status of the contractor or vendor may be taken into consideration. Brenda Breault, Commissioner, Corporate Services and Treasurer advised that references are conducted on prior and similar types of work, terms and conditions are outlined in a standard document on performance, but a Dunn & Bradstreet check is not completed. Janice Baker also explained that sureties and bonds are relied upon for protection to the City. Mayor McCallion emphasized the importance to ensure contractors are financially viable. Sally Eng noted that she could review the process.

Ms. Eng continued her presentation by describing the area of Information Technology as being assessed high risk by its very nature because it is such an integral part of all businesses and because of the complexity of the systems. Ms. Eng commented that any program that is assessed as high risk does not necessarily mean that there are concerns with the way it is being managed. She noted that in the past, the focus of IT audits was in relation to specific business applications, but there are other aspects of information technology being management, infrastructure and security which should also be reviewed, and advised that the budget for IT is between \$20 to \$25 million. Ms. Eng described CoBIT (Control Objectives for Information and Related Technology) as being an internationally recognized and established standard framework for IT audit and assurance that Internal Audit has adopted. The CoBIT framework, she explained, can be customized and tailored to make it applicable to our needs. Ms. Eng advised that she is conducting a risk assessment with management to determine where the focus of IT audits

should be and how best to utilize CoBIT which will bring value added. If interested, she offered to bring back to Committee a more detailed presentation.

Mayor McCallion congratulated Ms. Eng on her efforts and indicated concern with the amount of money being spent on information technology. Mayor McCallion indicated interest in the possibility of sourcing more efficient technology.

Councillor Eve Adams inquired if reviews were carried out on single source contracts. In particular she mentioned the Bell contract as it relates to posting on the website. Councillor Adams indicated her staff have difficulties posting to the website and felt that other providers offer a more efficient method. She stated her apprehension with the amount of time spent corporately performing this function.

Janice Baker confirmed that the Bell contract for the website was done by competitive bid and that Bell only manages the back-end of this process. She felt the problems as described by Councillor Adams were possibly in-house training issues. Brenda Breault agreed to investigate the training of staff for posting to the web.

Councillor Adams recommended a large value contract be assessed using the CoBIT framework. Sally Eng felt this would be too complicated initially and may not be a good candidate at this time, but possibly in the future.

Craig Emick, Information Technology Auditor stated that security has been identified as one of the most important aspects of information technology and noted his confidence in the CoBIT framework in addressing how technology is being delivered and the associated control issues.

Sally Eng noted that Internal Audit also performs other activities such as consultative services for draft by-laws, policies and procedures and performs follow-up on past audit recommendations to ensure they are being implemented. She requested flexibility in the Work Plan, in particular the addition of the LAC audit and the deferral of the purchasing and cheque requisition audits. She stated that a progress report will be brought back to Committee in September 2008.

Mayor Hazel McCallion noted that we have done an investment audit, which Sally Eng confirmed is completed on an annual basis. Mayor McCallion discussed the effectiveness of auditing and improving systems. She felt it was important to know what departments have been audited and the status of those audit recommendations. Janice Baker

confirmed that follow-up is conducted on all audit recommendations and that she receives periodic reports from Internal Audit on their status. Ms. Eng also explained that the status of all outstanding recommendations is reported back to Audit Committee at the Fall meeting.

Mayor McCallion congratulated Audit on achieving the cooperation of department heads which she deemed to be important. Janice Baker stated that this success is due largely in part to Sally Eng's approach.

A verbal motion by Councillor Katie Mahoney to approve the recommendation in the Corporate Report dated February 29, 2008 from the Director, Internal Audit was voted on and carried.

APPROVED

Recommendation AC-0004-2008 (Councillor Katie Mahoney)

CA.11.WOR

3. Proposed Corporate Policy: "Code of Conduct and Complaint Procedure for Security Staff"

Report dated March 6, 2008 from the Commissioner of Corporate Services & Treasurer with respect to the Proposed Corporate Policy: "Code of Conduct and Complaint Procedure for Security Staff".

RECOMMENDATION

That Code of Conduct and Complaint Procedure for Security Staff be approved as outlined in the report dated March 6, 2008 from the Commissioner of Corporate Services and Treasurer.

In response to Mayor McCallion's inquiry, Eric Draycott, Director, Human Resources, confirmed that criminal record checks on all applicants/employees, including security staff, are conducted at the expense of the applicant/employee.

Jamie Hillis, Manager, Security and Operations advised that the process for hiring security officers is stringent and imposes high standards. He described the cross-training provided in all positions and explained that the Training Officer is responsible for identifying training needs, including external training, i.e. police drills and report writing.

Mayor McCallion stated that people hired as security officers should be sensitive to the public.

A verbal motion made by Mayor Hazel McCallion to approve the recommendation in the Corporate Report dated March 6, 2008 from the Commissioner of Corporate Services and Treasurer, was voted on and carried.

APPROVED

Recommendation AC-0005-2008 (Mayor Hazel McCallion)

CA.24

4. Date of Next Meeting: May 5, 2008 at 9:00 a.m., Committee Room "B"

The date, time and location of the next Audit Committee meeting were confirmed.

CLOSED SESSION

Pursuant to Subsection 239 (2) of the *Ontario Municipal Act, 2001*, as amended, Councillor Eve Adams read the following motion:

Whereas the *Municipal Act, 2001*, as amended, requires Council to pass a motion prior to closing part of a meeting to the public;

And whereas the Act required that the motion states the act of the holding of the closed meeting and the general nature to be considered at the closed meeting;

Now therefore be it resolved that a portion of the Audit Committee meeting to be held on March 17, 2008 shall be closed to the public to deal with the following matters:

1. In-Camera report regarding personal matters about an identifiable individual, including municipal or local board employees, and relating to full-time employees who also hold part-time positions with the City of Mississauga.

The above noted motion was moved by Councillor Frank Dale, voted on and carried. At approximately 10:10 a.m. Committee moved into closed session.

The details of the in-camera corporate report were discussed. Committee directed that the Corporate Report dated March 6, 2008 from the Commissioner of Corporate Services & Treasurer with respect to Full-time Employees who also hold Part-time positions with the City of Mississauga be referred to Council to allow staff to bring back additional information.

Committee moved out of closed session at approximately 10:25 a.m.

REFERRED

Recommendation AC-0006-2008 (Mayor Hazel McCallion)

CA.24

ADJOURNMENT – 10:25 a.m.

REPORT 1 – 2008

TO: THE MAYOR AND MEMBERS OF COUNCIL

The Audit Committee presents its first report of 2008 and recommends:

AC-0001-2008 That Councillor Eve Adams be appointed as Chair of the Audit Committee for a term of office to November 30, 2008 or until a successor is appointed.

MG.24.Audit

AC-0002-2008 That the minutes of the Audit Committee meeting held on November 26, 2007, be approved as presented.

MG.24.Audit

AC-0003-2008 That the report dated March 3, 2008 from the Director of Internal Audit with respect to final audit report – Corporate Services Department 2007 Investment Audit be received for information.

CA.15

AC-0004-2008 1. That the report dated February 29, 2008 from the Director of Internal Audit, with respect to the 2008 Work Plan for Internal Audit be received for information.

2. That an audit of the Living Arts Centre be added to the 2008 Audit Work Plan.

3. That the Purchasing Audit and the Cheque Requisitions Audit be deferred and be considered for the 2009 Internal Audit Work Plan.

CA.11.WOR

AC-0005-2008 That Code of Conduct and Complaint Procedure for Security Staff be approved as outlined in the report dated March 6, 2008 from the Commissioner of Corporate Services and Treasurer.

CA.24

AC-0006-2008 That the In-camera Corporate Report dated March 6, 2008 from the Commissioner of Corporate Services & Treasurer with respect to Full-time Employees who also hold Part-time positions with the City of Mississauga be referred to Council to allow staff to bring back additional information.

CA.24