



Regular Meeting Post-Meeting Agenda  
Audit Committee  
The Corporation of the City of Brampton

**Tuesday, November 24, 2020**

**9:30 a.m.**

**Council Chambers - 4th Floor, City Hall - Webex Electronic Meeting**

**Members:**

Regional Councillor M. Medeiros	Wards 3 and 4
Regional Councillor R. Santos	Wards 1 and 5
Regional Councillor M. Palleschi	Wards 2 and 6
Regional Councillor G. Dhillon	Wards 9 and 10
City Councillor J. Bowman	Wards 3 and 4
City Councillor D. Whillans	Wards 2 and 6
City Councillor H. Singh	Wards 9 and 10
Iqbal Ali	Citizen Member
Rishi Jain	Citizen Member
Abid Zaman	Citizen Member

NOTICE: In consideration of the current COVID-19 public health orders prohibiting large public gatherings and requiring physical distancing, in-person attendance at Council and Committee meetings will be limited to Members of Council and essential City staff.

As of September 16, 2020, limited public attendance at meetings will be permitted by pre-registration only (subject to occupancy limits). It is strongly recommended that all persons continue to observe meetings online or participate remotely. To register to attend a meeting in-person, please [complete this form](#).

For inquiries about this agenda, or to make arrangements for accessibility accommodations for persons attending (some advance notice may be required), please contact:

Sonya Pacheco, Legislative Coordinator, Telephone 905.874.2178, TTY 905.874.2130 [cityclerksoffice@brampton.ca](mailto:cityclerksoffice@brampton.ca)

Note: Meeting information is also available in alternate formats upon request.

1. Call to Order

2. Approval of Agenda

3. Declarations of Interest under the Municipal Conflict of Interest Act

4. Consent

Nil

5. Presentations\Delegations

- 5.1. Delegation from Kevin Travers, Partner, KPMG LLP Chartered Accountants, re: KPMG Audit Plan for the 2020 Fiscal Year

(See Item 7.1)

- 5.2. Staff Presentation, re: Internal Audit

6. Reports - Internal Audit

- 6.1. Staff Report re: Internal Audit Work Plan – 2021

*To be received*

- 6.2. Staff Report re: Status of Management Action Plans (MAPs) – September 30, 2020

*To be received*

- 6.3. Staff Report re: Corporate Fraud Prevention Hotline Update

*To be received*

- 6.4. Staff Report re: Deferral of Data Architecture and Management Audit

*To be received*

- 6.5. Staff Report re: Deferral of Realty Services Audit

*To be received*

- 6.6. Staff Report re: Transit Operations Audit Report

*To be received*

**7. Reports - Finance**

- 7.1. Staff Report re: KPMG Audit Plan for the 2020 Fiscal Year

(See Item 5.1)

*Recommendation*

**8. Other/New Business**

- \*8.1. Audit Committee Direction from Closed Session

Post Meeting Notes: Item 11.1 and a portion of Item 11.2 were published on the City's website on December 3, 2020, as it was deemed public information as determined by the Audit Committee at its November 24, 2020 meeting.

**9. Question Period**

**10. Public Question Period**

15 Minute Limit (regarding any decision made at this meeting)

During the meeting, the public may submit questions regarding recommendations made at the meeting via email to the City Clerk at [cityclerksoffice@brampton.ca](mailto:cityclerksoffice@brampton.ca), to be introduced during the Public Question Period section of the meeting.

**11. Closed Session**

Note: A separate package regarding these agenda items are distributed to Members of Council and senior staff only.

Post Meeting Notes: Item 11.1 and a portion of Item 11.2 were published on the City's website on December 3, 2020, as it was deemed public information as determined by the Audit Committee at its November 24, 2020 meeting. See Item 8.1 for these attachments.

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

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

- 11.2. Open Meeting exception under Section 239 (2) (a) of the Municipal Act, 2001:

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

- 11.3. Open Meeting exception under Section 239 (2) (a) of the Municipal Act, 2001:

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

**12. Adjournment**

Next Regular Meeting: Tuesday, February 23, 2021 at 9:30 a.m.

**Date:** 2020-11-03

**Subject:** **Internal Audit Presentation**

**Contact:** Sunny Kalkat, Director, Internal Audit, 905-874-2215,  
Satinder.kalkat@brampton.ca

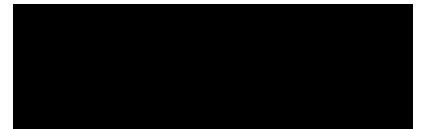
**Report Number:** CAO's Office-2020-384

**Recommendations:**

1. That the presentation titled: **Internal Audit Presentation**, to the Audit Committee Meeting of November 24, 2020, be received.

# Internal Audit: Your Trusted Advisors

**“Verifying Compliance, Partnering for Improvement”**



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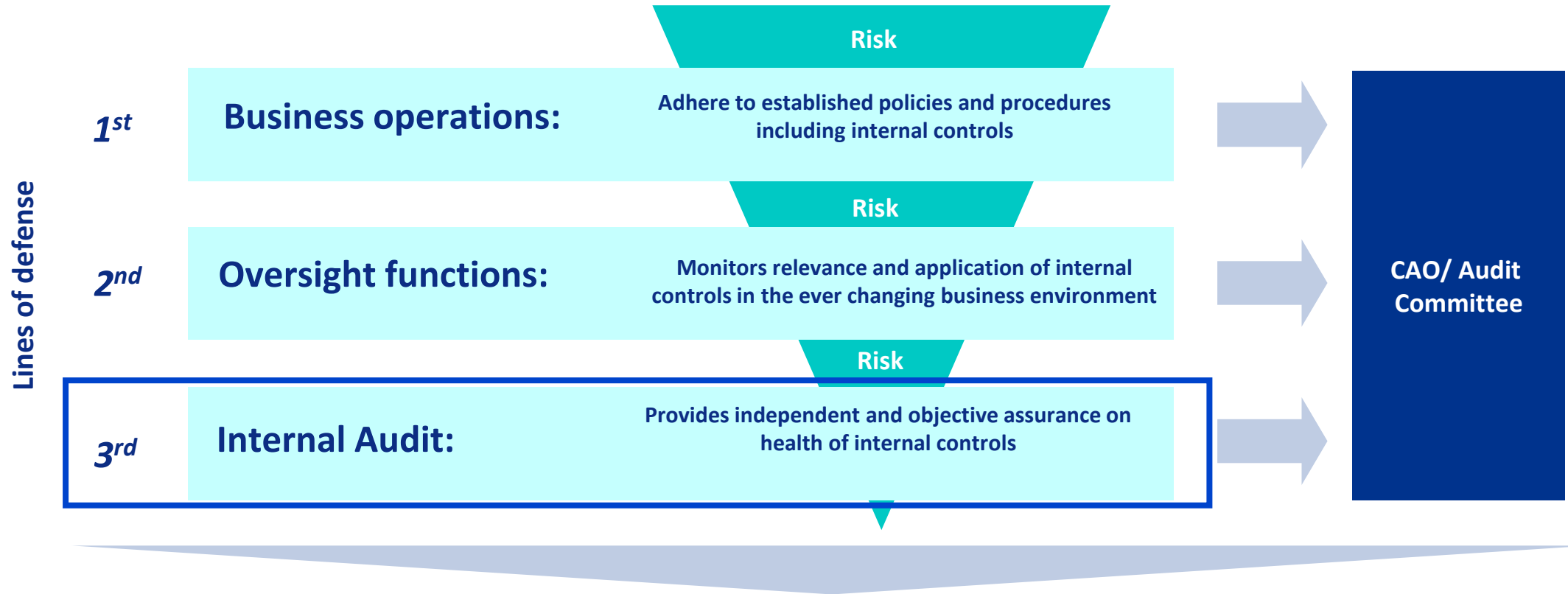
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# Internal Audit: Independent Assurance

*A fast growing organization requires a robust third line of defense*

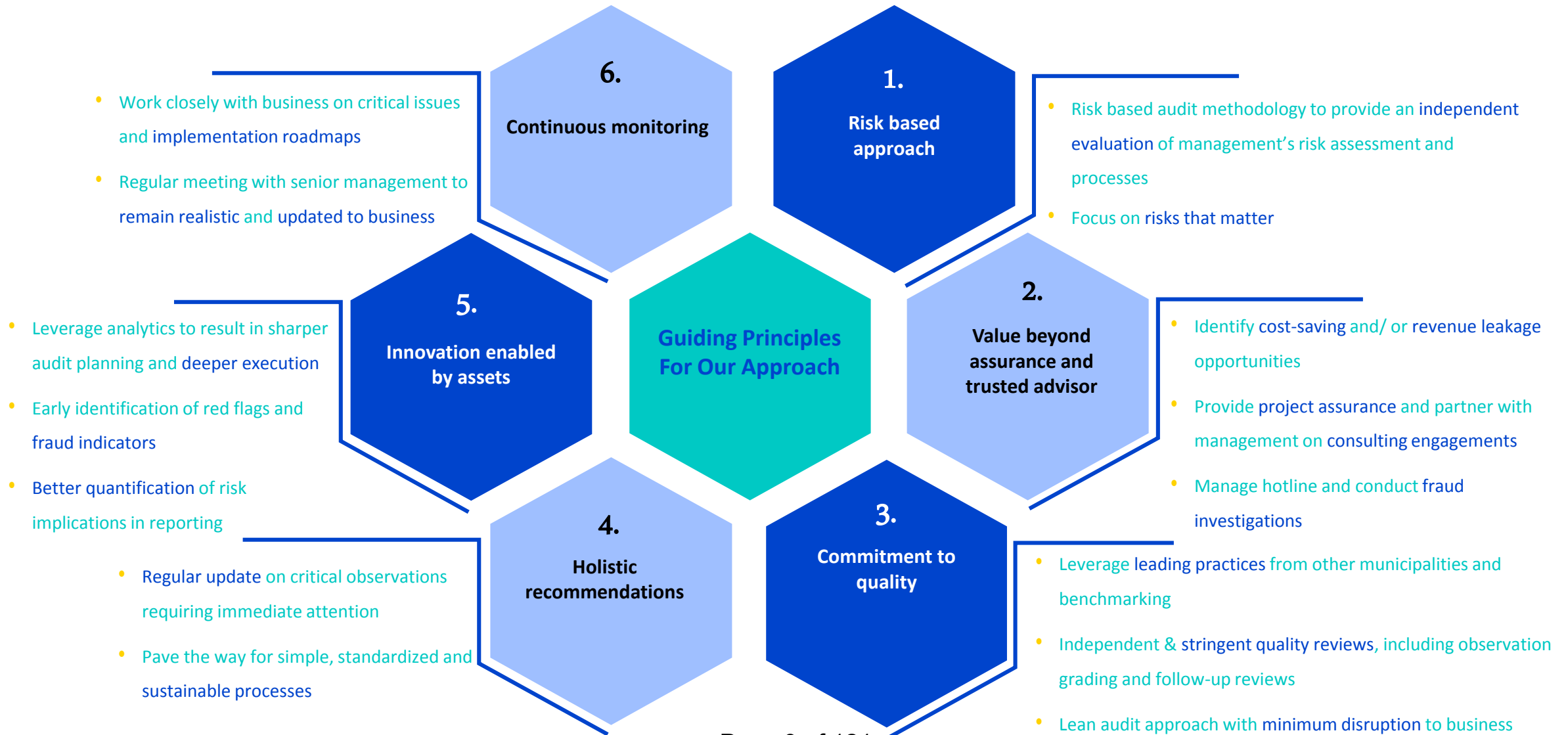


*Role of an internal audit function in an organization*

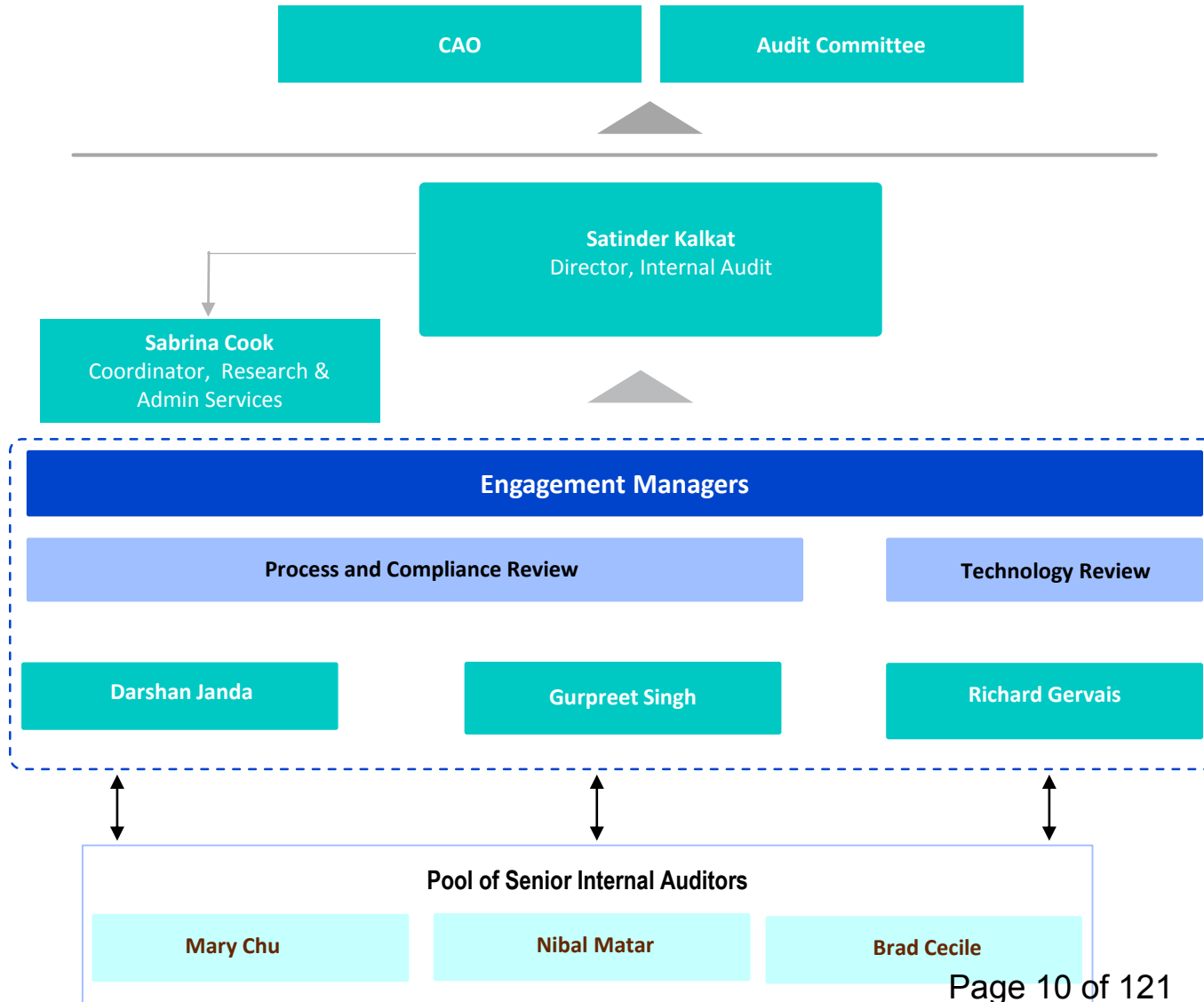
*To provide independent assurance to the CAO/ Audit Committee on effectiveness of controls to address key business, operational, financial and compliance risks*



# Internal Audit: Overview



# Our Team: Org Chart



- Oversight of internal audit function
- provide right infrastructural support
- Approve Internal audit Mandate

- Provide Insight on Leading Audit/ Governance Practices
- Leads key meetings, executive presentations and updates
- High level quality assurance
- Review of all deliverables / reports

- Execute the scope of work and responsible for on-field execution
- Coordination and communication with stakeholders
- Provide inputs, value-adds and share best practices
- Escalate bottlenecks, if any

- Supporting engagement manager with project delivery
- Work towards audit scope and timelines

# IA Plan 2021: Pending Approval

*Based on our risk- based approach and discussion held with Corporate Leadership Team (CLT), we have proposed following audits in 2021 for CAO/Audit committee approval:*



**Corporate Governance: including Anti corruption and money laundering policies**

**Executive Expenses including their administrators**

**Vendor Performance Audit**

**Economic Development Division of Planning, Building, and Economic Development**

**Emergency Spending Review**

**Transit Follow up Audit**

**Contract Management-Snow Removal**

**Real Estate Management**

**Corporate Facility Management and Operations audit**

**IT Vendor Management**

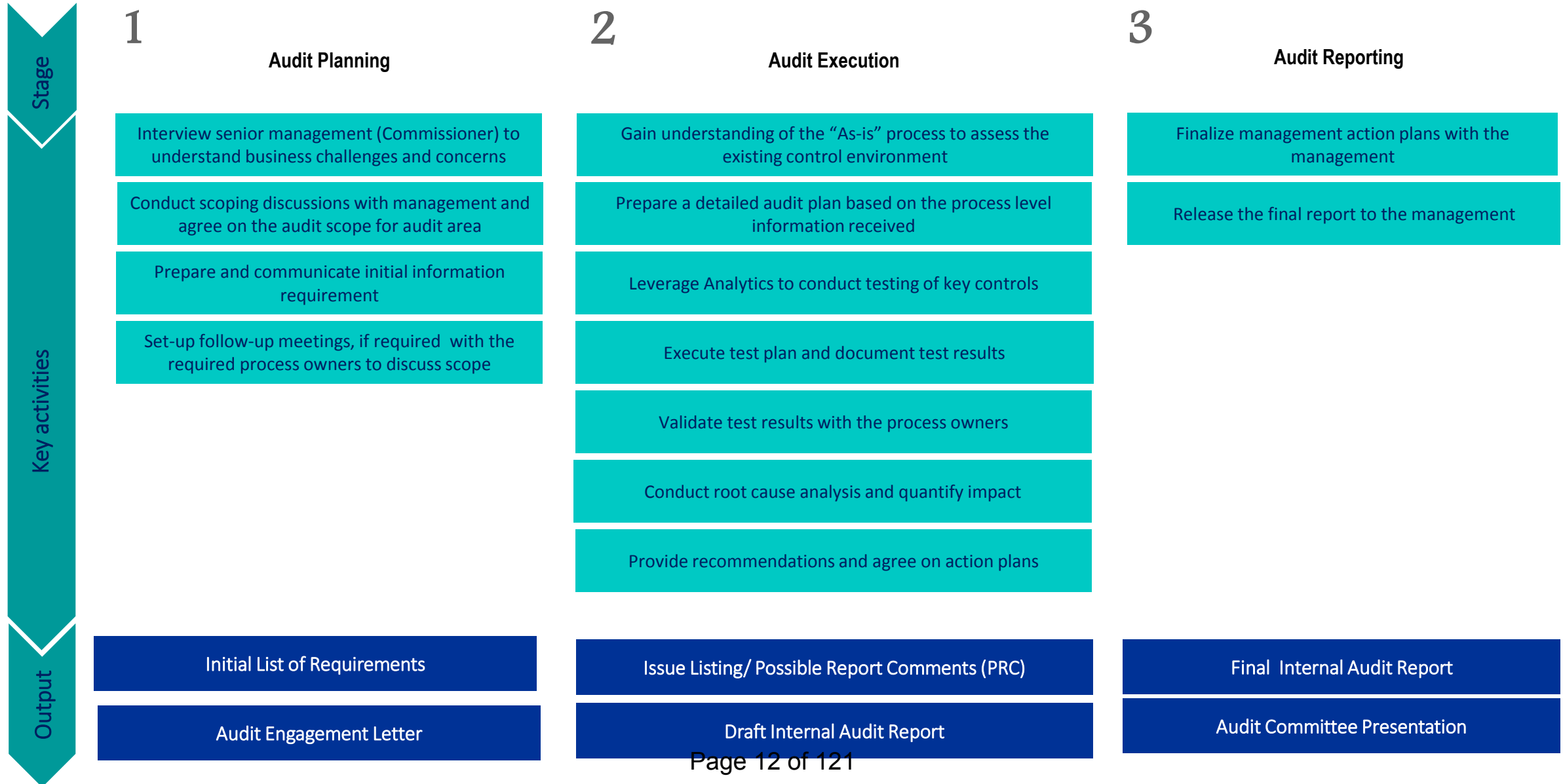
**IT Infrastructure & Cloud Management**

**Project Assurance: IT Management Action Plans**

**Project Assurance: Class (current system) migration to A2G (new system)**

**Project Assurance for implementation of video court appearances**

# Our Approach: Detailed Activities



# Audit Requests: Protocols and Escalations

#	Type of request	Expected SLA	Protocols for Escalation (If initial SLA not met)	Disposal
1	Initial list of requirements (Audit Planning)	5 calendar days from the date of initial request	<p>To be sent by Internal Audit (IA) team to process owners with cc to Department Head (DH).</p> <p><b><u>Escalations in case data is not provided:</u></b></p> <p><b>a) After elapse of 24 hours from expected Service Level Agreement (SLA)–</b> Reminder e-mail to be marked to process owner with cc to DH and Commissioner.</p> <p><b>b) After elapse of 48 hours from expected SLA–</b> Notice to the process owner that the same has been considered as scope limitation. The mail to be marked to process owner with cc to Department Head and Commissioner.</p>	<p>Any data forming part of Initial data requirement not provided within 48 hours from the expected SLA will be considered as scope limitation for audit purposes and will be reported to audit committee accordingly.</p> <p><i>Note: Data requested in initial list is expected to be readily available and any challenges to be communicated proactively.</i></p>
2	Subsequent data requests (Audit Execution)	3 calendar days for the date of subsequent data requests	<p>To be requested via email marked to process owner with CC to DH</p> <p><b><u>Escalations in case data is not provided:</u></b></p> <p><b>a) After elapse of 24 hours from expected SLA –</b> Reminder e-mail to be marked to process owner with cc to DH to ensure that data is provided</p> <p><b>b) After elapse of 48 hours from expected SLA –</b> Final reminder to be sent to process owner with cc to DH and Commissioner.</p> <p><b>c) After elapse of 72 hours from expected SLA –</b> E-mail to be sent stating the data as scope limitation. The mail to be marked to process owner with cc to DH and Commissioner.</p>	<p>Any data requested subsequently by the IA team not provided within <b>72 hours</b> from expected SLA will be considered as scope limitation or might be considered as data not available with the unit depending upon the data request.</p> <p><i>Note: In case any challenges in providing requested data kindly communicate the same in advance for the internal audit consideration.</i></p>

# Audit Requests: Protocols and Escalations

#	Type of request	Expected SLA	Protocols for Escalation (If initial SLA not met)	Disposal
3	Audit query resolution (Audit Execution)	3 calendar days from the date of audit query	<p>Queries to be shared via email marked to process owner with CC to DH</p> <p><u>Escalations in case query is not resolved:</u></p> <p><b>a) After elapse of 24 hours from expected SLA</b> – Reminder e-mail to be marked to process owner with CC to DH to ensure query resolution.</p> <p><b>b) After elapse of 48 hours from expected SLA</b> – Final reminder to be sent to with process owner with CC to DH and Commissioner.</p> <p><b>c) After elapse of 72 hours from expected SLA</b> – E-mail to be sent stating the query has been considered as an exception. The mail to be marked to process owner with cc to DH and Commissioner.</p>	<p>In case response is not received from the process, it will be considered that the query is valid and qualifies as an exception.</p> <p><i>Note: In case additional time is required, reason and additional time required to revert shall be communicated proactively to the IA team.</i></p>
4	Management action plan (Audit Execution)	10 calendar days from the date observation sent	<p>Observations to be sent by IA via email marked to the process owners, with CC to DH.</p> <p><u>Escalations in case action plan not provided:</u></p> <p><b>a) After elapse of 48 hours from expected SLA</b> – Reminder mail to be sent to process owner with cc to DH and Commissioner to ensure that action plan is provided.</p> <p><b>b) After elapse of 96 hours from expected SLA</b>– Verbal comments provided during the discussion will be incorporated and final observation listing will be circulated to the management</p>	<p>In case action plan is not received within 96 hours from expected SLA the observation will be released basis comments provided to us during the discussion or will be released without action plan to the management for further action.</p>

# Thank You

## Contact Us:

Sunny Kalkat

Director, Internal Audit

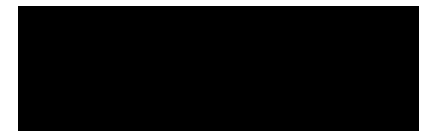
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*“In the future, Internal Audit will be viewed as an air traffic control tower. Technology will enable real-time risk monitoring and timely reporting of high-risk findings to instill trust, support confident decision making and ultimately contribute to increased business value.*

*Our vision is transform Internal Audit function to one that is digitally confident, dynamic and trusted, which contributes to an effective and optimized control environment and enhanced organizational performance”*



**Date:** 2020-11-03

**Subject:** **Internal Audit Work Plan – 2021**

**Contact:** Sunny Kalkat, Director, Internal Audit, 905-874-2215,  
satinder.kalkat@brampton.ca

**Report Number:** CAO's Office-2020-383

**Recommendations:**

That the report titled: **Internal Audit Work Plan- 2021**, to the Audit Committee Meeting of November 24, 2020, be received.

**Overview:**

- The 2021 Internal Audit work plan is developed using a risk-based approach which included input from senior management, issues from previous audits, evaluation of audit results and risk assessments;
- The objective of performing audits is to add value to improve the operations of the City as well as assist the City in accomplishing its objectives;
- On a regular basis, Internal Audit reviews and updates the work plan as needed based on current information, concerns and discussions with the leadership team, issues identified and risk reviews;
- This report provides Audit Committee the Audit Work Plan for 2021; and
- Internal Audit is in the process of completing a corporate wide Risk Assessment with the assistance of a third party. Plan is subject to change as per the results of Risk assessment. Any changes to the plan will seek approval from Audit Committee.

**Background:**

The Internal Audit annual work plan was developed using a risk-based approach as outlined in the Internal Audit Charter. Several factors are taken into consideration in developing the Audit work plan, such as:



- Risk assessment with Senior Management results;
- Last time the area/process was audited; and
- Results of previous audits.

Internal Audit is focused on performing an objective assessment of evidence to provide an independent opinion as to the effectiveness and efficiency of a process or system in order to assist departmental management in achieving their business objectives and goals.

The results of audits performed are communicated to the Audit Committee and the Leadership Team to provide information to assist them in carrying out their governance responsibilities.

Internal Audit also conducts consulting engagements at the request of management. Consulting services include advice, facilitation, and training. For this activity, the nature and scope of the engagement are agreed upon between management and Internal Audit. The objective is for Internal Audit to add value and help improve an organization's risk management and control processes without assuming management responsibility. The results of consulting engagements are reported to departmental management. All consulting engagements will be communicated to Audit Committee in advance.

The annual audit work plan will be reviewed on a regular basis and may be adjusted based on any information, issues, or concerns that have been identified. Updates and changes to the audit work plan will be communicated to the Audit Committee.

### **Current Situation:**

The 2021 audit work plan (**Appendix 1**) sets out the priorities of the Internal Audit function that are reflective of the City of Brampton's strategic goals, objectives, concerns, and priorities, integrated and coordinated with a corporate risk assessment. The annual audit work plan is comprised of operational audits, investigations, and follow-up reviews.

Any changes to the audit work plan may require the removal or deferral of a project identified within this report, or alternatively, the hiring of an outside auditor to perform the audit. Any changes throughout the year will be communicated to the Audit Committee.

Internal Audit activities will be conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. The specific scope of each project will be determined during the engagement's planning phase.

### **Corporate Implications:**

#### Financial Implications:

N/A

Other Implications:

N/A

**Term of Council Priorities:**

This report achieves the Strategic Plan priority of Good Government through the support of the Corporate Fraud Prevention Policy and Fraud Hotline which promotes Corporate accountability, our Corporate Values, and governance best practices.

**Conclusion:**

The Internal Audit work plan will be reviewed on a regular basis and updated if needed. Our intention is to keep the Audit work plan agile and flexible, ensuring that identified risks are appropriately addressed. The Audit work plan is designed to add value to the organization and provide the highest standard of professional, independent and timely solutions in partnership with City departments.

Authored by:

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Sunny Kalkat, CPA, CGA  
Director, Internal Audit

Reviewed by:

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Sunny Kalkat, CPA, CGA  
Director, Internal Audit

Approved by:

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David Barrick  
Chief Administrative Officer

Submitted by:

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David Barrick  
Chief Administrative Officer

**Attachments:**

**Appendix 1:** Internal Audit Work Plan 2021

## Audit Plan 2021

#	Title	Audit Objective	Tentative Scope
1	Corporate Governance: including Anti corruption and money laundering policies	Effective corporate governance and a well-defined accountability structure are the foundation of organizational control and risk management. The objective of this audit is to recognize whether the City exhibits strong corporate governance and accountability practices and to identify areas of improvement.	Governance process and control model Corporate Culture (i.e. Tone from the Top) Code of Conduct Controls around accountability for taxpayer money Risk Management and Acceptance Fraud hotline and anonymous reporting system Anti-bribery / Anti-corruption programs Defined Org. chart and Roles & Responsibilities Various Committee/Board Composition (Including Audit committee) Governance Surveys
2	Executive Expenses including their administrators	The audit objectives is to assure the City's Executive expenses are in compliance with established policies and procedures and are valid, reasonable expenses.	Review of relevant policy and procedure Controls around expenses review and approval Accuracy and timeliness of expense report submission Review of supporting documentation for a sample of reimbursements, P-card transactions, and travel claims

#	Title	Audit Objective	Tentative Scope
3	Vendor Performance Audit	<p>The objective of the audit is to evaluate the processes and controls in place over vendor performance management, to identify strengths and weaknesses, and provide recommendations for improvement, ensuring they align with the City's operating environment</p> <p>The audit will also focus on the economy, efficiency and effectiveness of vendors to ensure vendors are meeting required service levels and the city is getting optimal value for money.</p>	<p>Vendor performance management policies, processes and practices</p> <p>Tools and checklists in place to monitor vendor performance, including the use of analytics</p> <p>Controls around contract amendments and close out, including final payment</p> <p>Review of compliance to Service Level Agreement (SLA's) for sample contracts</p> <p>Controls around over-spends analysis and approval</p> <p>Any sponsorship programs adopted by the City will also be a part of this audit.</p>
4	Economic Development Division of Planning, Building, and Economic Development	<p>The objective of this audit is to review whether City as an adequate framework to perform economic development business recruitment, expansion and investment activities.</p>	<p>Review of Policies and procedures</p> <p>Review of department objectives and its alignment with Brampton's 2040 vision</p> <p>Review of City's current business recruitment efforts</p> <p>Process to track targets/benchmarks for each project (i.e. Jobs created, capital invested, New business start-ups etc.)</p> <p>Comparison of economic development metrics (KPIs) to other municipalities</p>

#	Title	Audit Objective	Tentative Scope
5	Emergency Spending Review	In 2020, there have been a number of unplanned expenditures by the city due to COVID 19. The objective of the audit is to ensure any emergency expenses related to COVID were necessary, reasonable and justified.	Review of guidelines/ Policies & procedures for emergency spending protocols Emergency spending communication across departments (Economies of scale were optimized) Controls around spend review and approval Review of supporting documentation for a sample spend and payment proof
6	Transit Follow up Audit	In 2020, a full scope audit of Transit operations was completed and the unit was given a rating of "Significant Improvement Required" In 2021, a follow up audit will be conducted with the objective to ensure the recommendations have been implemented.	The following areas will be reviewed as part of the 2021 follow-up; Governance Controls Inventory Management Fuel Management Revenue Management Repair and Maintenance Attendance Recording Process Disposal Process

#	Title	Audit Objective	Tentative Scope
7	Contract Management-Snow Removal	<p>The Operations unit of the Works and Transportation division is responsible for the operation and maintenance of City roads, including managing snow removal. The objective of the audit is to ensure that policies and procedures are in place regarding snow removal contracts and the City is getting the best value for money through the current snow removal arrangements.</p> <p>The objectives of this audit is to determine whether Work and Transportation Division:</p> <ol style="list-style-type: none"> <li>1. Meets the service levels for winter road maintenance to provide a safe and reliable transportation network in the City, and</li> <li>2. Manages the contracts, evaluates contractor performance and holds contractors accountable as per the contract terms.</li> </ol>	<p>Review of the service standards and legislative requirements/by-laws for snow clearing and how the City manages and monitors compliance;</p> <p>Controls around contractor scheduling of staff/ resources for snow clearing activities;</p> <p>Review of City's monitoring controls to ensure that that work is completed in a timely and complete manner; and</p> <p>Payments to Snow removal vendors are properly supported (Timesheets, activity logs etc.) and approved</p>
8	Real Estate Management	<p>The objective of the engagement is to examine and evaluate the adequacy and effectiveness of internal controls and processes related to realty services, and review whether real estate activities are consistent with the objectives of the City.</p>	<p>Departmental governance and oversight</p> <p>Controls around department budget preparation and monitoring process</p> <p>Review of controls around property lease/ acquisition/ disposal</p> <p>Controls around billing and lease payment Process</p> <p>Review of departmental expenses</p> <p>Compliance with City by-laws and legislative requirements</p>

#	Title	Audit Objective	Tentative Scope
9	Corporate Facility Management and Operations audit	The Facilities Operation & Maintenance Unit is under the Public Works and Engineering Division and is responsible for managing operations at all city run facilities. The objective of the audit is to evaluate the adequacy and effectiveness of the internal controls, processes and procedures in place to mitigate the business risks associated with the execution of the City's facilities maintenance strategies and programs.	<p>Polices and procedures are current and being followed</p> <p>Compliance with City by-laws and legislative requirements</p> <p>Contracts for service providers are in place</p> <p>Control around facilities maintenance including scheduled preventive maintenance and unscheduled repairs</p> <p>Adequacy of controls over supplies/parts inventory</p>
10	IT Vendor Management	<p>The objectives of this engagement are to:</p> <ul style="list-style-type: none"> <li>Assess the extent to which controls over IT vendors have been established to reduce the risk of inappropriate security controls and unauthorized access to City of Brampton data, considering: controls at the RFP and contract stage through to annual monitoring of KPIs, to the use of exit strategies.</li> <li>Assess value for money of these arrangements.</li> </ul>	<p>Vendor management lifecycle including contracts and supporting documentation.</p> <p>IT vendor selection process, including competitive costs analysis, reviews and supporting documentation</p>

#	Title	Audit Objective	Tentative Scope
11	IT Infrastructure & Cloud Management	<p>The objectives of this engagement are to:</p> <ul style="list-style-type: none"> <li>Assess management controls in place to manage IT infrastructure asset lifecycle management,</li> <li>Assess whether IT infrastructure delivers value at optimal cost and that they remain operational (fit for purpose),</li> <li>Review management controls over systems moving from on premises to cloud based hosting, including associated impact on infrastructure planning, and,</li> <li>Review progress made to date against the 2018 Internal Audit Risk Assessment.</li> </ul>	<p>The scope includes governance and management processes, architecture management processes, monitoring, support arrangements, capacity planning, system reliability and availability processes.</p> <p>Review of documents, logs, agreements and reporting, including third parties.</p> <p>On premises, cloud and hybrid infrastructure.</p> <p>Owned and outsourced cloud services, including application, security or infrastructure as a service arrangements.</p>
12	Project Assurance: IT Management Action Plans	<p>The objective is to provide assurance that Cyber Security and IT management actions plans are in place, that they address known risks and audit findings, and that the necessary changes are implemented.</p>	<p>IT plans to address the accumulation of audit findings and know risks. The engagement will include the 2020 Cyber Security Assessment findings. Internal Audit will monitor and report on progress.</p>
13	Project Assurance: Class (current system) migration to A2G (new system)	<p>The objectives are to:</p> <ul style="list-style-type: none"> <li>Ensure past audit findings have been addressed; and,</li> <li>Ensure suitable controls (such as segregation of duties, traceable transactions) are in place.</li> </ul>	<p>Monitor and report on objectives throughout the Project and the System Development Lifecycle.</p>



#	Title	Audit Objective	Tentative Scope
14	Project Assurance for implementation of video court appearances	Assist client with the installation of video equipment.	<ul style="list-style-type: none"> <li>• To ensure the security of the information</li> <li>• Restricted access to the information</li> <li>• Readily availability of the information</li> <li>• Safety around retaining and disposing the information.</li> </ul>

**Date:** 2020-11-16

**Subject:** **Status of Management Action Plans (MAPs) – September 30, 2020**

**Contact:** Sunny Kalkat, Director, Internal Audit, 905-874-2215,  
satinder.kalkat@brampton.ca

**Report Number:** CAO's Office-2020-414

**Recommendations:**

1. That the report titled: **Status of Management Actions Plans-September 30, 2020**, to the Audit Committee Meeting of November 24, 2020, be received.

**Overview:**

- As part of the internal audit follow-up process, departments are required to provide Internal Audit with an update on current status and progress of all outstanding MAPs;
- The objective of this report is for Internal Audit to inform Audit Committee members on the progress of the implementation of MAPs, as reported by management;
- The comments reflect the status of the implementation of MAPs due to be completed by or prior to September 30, 2020;
- As of September 30, 2020, 21 MAPs were implemented by management and 4 MAPs have been deferred;
- Internal Audit may validate results at a subsequent date as part of the follow-up audit process; and
- Details concerning the individual MAPs are available upon request.

## Background:

In accordance with the requirements of Standard 2500.A1 of the International Standards for the Professional Practice of Internal Auditing, Internal Audit has established a follow-up process to monitor and ensure that management action plans for audit recommendations have been successfully implemented. This process has been in place since 2006.

For the follow-up process, departments are required to provide an update to Internal Audit on the progress of implementing agreed-upon MAPs. Internal Audit reviews the comments submitted by the department, and where necessary, the Director of Internal Audit will meet with management to discuss the respective progress and comments. Upon complete implementation of the MAPs by management, Internal Audit will assess whether a follow-up audit is necessary to validate the operating effectiveness of the implemented processes and procedures. Such follow-up audits are included in Internal Audit's annual work plan and is approved by the Audit Committee.

The implementation status updates from management are reported to the Audit Committee. This report summarizes the status of all MAPs due to be implemented by management on or prior to September 30, 2020.

## Current Situation:

As of September 30, 2020, 21 MAPs were implemented by management on or prior to this date. 4 MAPs were deferred. Some of the MAPs are deferred due to COVID-19 and management changes. The remaining MAPs identified as "not yet due" have anticipated completion dates between Q4 2020- Q4 2021. The following table details the open and deferred MAPs.

Open MAPs at Q2 2020	New MAPs in Q3 2020	MAPs Completed in Q3 2020	Open MAPs end of Q3 2020	MAPs Deferred in Q3 2020	MAPs Due by Q4 2020-Q4 2021
45	30	21	54	4	54

Please refer to **Appendix 1** for the details of the MAPs as of September 30, 2020.

Please refer to **Appendix 2** for a detailed list of the status of the MAPs as of September 30, 2020.

## Corporate Implications:

### Financial Implications:

None

### Other Implications:

None

**Term of Council Priorities:**

This report achieves the Term of Council Priority of 'Brampton is a well-run city' through the establishment of an internal audit follow up procedure for the implementation of MAPs, which promotes corporate accountability, values, and governance best practices.

**Conclusion:**

Internal Audit is committed to continuously collaborating with management in identifying, reviewing, improving, and updating policies, procedures, and processes on a regular basis, and enhancing efficiencies and process effectiveness.

Internal Audit encourages management and staff to continue striving to meet the target completion dates of Management Action Plans.

Authored by:

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Sabrina Cook, Research Coordinator  
Internal Audit

Reviewed by:

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Sunny Kalkat, Director  
Internal Audit

Approved by:

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Sunny Kalkat, Director  
Internal Audit

Submitted by:

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David Barrick  
Chief Administrative Officer

**Attachments:**

Appendix 1: Management Action Plans as of September 30, 2020

Appendix 2: Management Action Plan Status Details as of September 30, 2020









					As of September 30, 2020		
Audit Report	Rating	Year	MAPs open Q3 2020	MAPs Due at Q3	Completed	Deferred	Not Yet Due
Building Permits		2017	1	-			1
Building Inspections		2018	1	-			1
Corporate Security		2018	1	1	-	1	-
IT Service Desk		2019	2	-	1	-	1
Mobile Phone Management Follow-Up		2019	7	2	3*	2	2
Payroll Services		2019	10	-	-	-	10
Construction- Countryside Dr. Road Widening		2019	1	-	-	-	1
HR Recruitment Follow-Up		2019	3	1	1		2
Contracted Cleaning		2019	2	2	1	1	-
Review of Councillor Budget and Staffing Model	N/A	2019	2	-	-	-	2
Fleet Services		2019	2	1	1	-	1
Data Centre- Transit		2019	1	1	1	-	-
HR Benefits (Phase 1)		2019	4	1	1		3
Rose Theatre Operations		2020	3	1	1	-	2
Asset Management		2020	4	1	1	-	3
Contract Management		2020	1	-	-	-	1
Segregation of Duties		2020	3	2	2	-	1
Transit Operations		2020	16	-	7**		9
Cyber Security Assessment	N/A	2020	11	-	1	-	10
TOTAL			75	13	21	4	50















Note:



\* indicates recommendations completed in advance of their target completion dates.


































\*\* indicates recommendations completed at the time of the audit.

## APPENDIX 2- Management Action Plan Status Details as of September 30, 2020

Legend		
In progress		Completed In progress- deferred/delayed  In progress- on time  
Completed		
Deferred		
In progress- delayed		
Expected completion		

Audit and Finding/Issue	Q3 2020	Q4 2020	2021
<b>Building Permits</b> Permit Review and Issuance Process	 ↓		
<b>Building Inspections</b> Performance Metrics	 ↓		
<b>IT Service Desk</b> Out of Hours System Issues are not Recorded	 ↓		<b>x</b>
<b>IT Service Desk</b> Categorization can be Improved		<b>x</b>	<b>x</b>
<b>Mobile Phone Management</b> Inconsistencies and gaps in the employee off-boarding process		<b>x</b>	<b>x</b>
<b>Mobile Phone Management</b> Inconsistencies and gaps in the employee off-boarding process		<b>x</b>	<b>x</b>
<b>Mobile Phone Management</b> The current mobile device technology management processes do not reflect the changing environment	 ↓		<b>x</b>
<b>Mobile Phone Management</b> The current mobile device technology management processes do not reflect the changing environment	 ↓		<b>x</b>
<b>Mobile Phone Management</b> Personal usage reporting is a manual process and is unsustainable		<b>x</b>	<b>x</b>

<b>Audit and Finding/Issue</b>	<b>Q3 2020</b>	<b>Q4 2020</b>	<b>2021</b>
<b>Mobile Phone Management</b> Personal usage reporting is a manual process and is unsustainable			<b>x</b>
<b>Mobile Phone Management</b> Personal usage reporting is a manual process and is unsustainable			<b>x</b>
<b>Payroll</b> Decentralized Ownership of Employee Data that Supports the Payroll Processing			<b>x</b>
<b>Payroll</b> Decentralized Ownership of Employee Data that Supports the Payroll Processing			<b>x</b>
<b>Payroll</b> Awareness of accountability for Time and Attendance Data Entry			<b>x</b>
<b>Payroll</b> Awareness of accountability for Time and Attendance Data Entry			<b>x</b>
<b>Payroll</b> Awareness of accountability for Time and Attendance Data Entry			<b>x</b>
<b>Payroll</b> Vacation and Leave Balances Calculation			<b>x</b>
<b>Payroll</b> Vacation and Leave Balances Calculation			<b>x</b>
<b>Payroll</b> Vacation and Leave Balances Calculation			<b>x</b>
<b>Payroll</b> Use of KPIs to Track Performance and Address Root Causes			<b>x</b>
<b>Payroll</b> Use of KPIs to Track Performance and Address Root Causes			<b>x</b>
<b>Construction</b> Monthly Reporting to Senior Management			<b>x</b>
<b>HR Recruitment</b> Policies & Procedures Require Review and Update			
<b>HR Recruitment</b> Policies & Procedures Require Review and Update		<b>x</b>	<b>x</b>
<b>HR Recruitment</b> Policies & Procedures Require Review and Update			
<b>Review of Councillor Budget and Staffing Model</b> Process & Policy: Expense Claims			<b>x</b>
<b>Review of Councillor Budget and Staffing Model</b>			<b>x</b>

<b>Audit and Finding/Issue</b>	<b>Q3 2020</b>	<b>Q4 2020</b>	<b>2021</b>
Inconsistent Documentation: Expenses			
<b>Fleet Services</b> Frozen Vehicle Data Units			<b>x</b>
<b>Fleet Services</b> Enhance Management Oversight		<b>x</b>	<b>x</b>
<b>HR Benefits (Phase 1)</b> Management Oversight		<b>x</b>	<b>x</b>
<b>HR Benefits (Phase 1)</b> Policies & Procedures are not current			
<b>Rose Theatre Operations</b> Staffing charges are not fully recovered from rental clients		<b>x</b>	<b>x</b>
<b>Rose Theatre Operations</b> Rental deposit and outstanding amounts are not consistently collected from rental clients			<b>x</b>
<b>Rose Theatre Operations</b> Standard Operating Procedures (SOPs) are not complete or current			<b>x</b>
<b>Contract Management</b> Standard Operating Procedures (SOPs) are not current			<b>x</b>
<b>Transit Operations</b> Purchasing of repair and maintenance parts		<b>x</b>	<b>x</b>
<b>Transit Operations</b> Scrap Sales & Potential Exposure			
<b>Transit Operations</b> Inventory Parts Identification Process			
<b>Transit Operations</b> Physical Inventory Management			
<b>Transit Operations</b> Inventory management systems are not integrated			<b>2022</b>
<b>Transit Operations</b> Standard operating procedures are not current			<b>x</b>
<b>Transit Operations</b> Fuel card usage for Sandalwood vehicles that have access to on-site pumps		<b>x</b>	<b>x</b>
<b>Transit Operations</b> Monitoring off-site fuel usage and approval of monthly invoices		<b>x</b>	<b>x</b>
<b>Transit Operations</b> Monitoring fuel inventory volumes and fuel usage reconciliation			<b>x</b>
<b>Transit Operations</b> Receiving and paying for fuel inventory		<b>x</b>	<b>x</b>



<b>Audit and Finding/Issue</b>	<b>Q3 2020</b>	<b>Q4 2020</b>	<b>2021</b>
<b>Transit Operations</b> Fare Collection and Enforcement	●	●	○
<b>Transit Operations</b> Transit Accident Claims Process	●	○	x
<b>Transit Operations</b> Annual budget and Monitoring Process	●	x	x
<b>Transit Operations</b> Repair and Maintenance Process	●	x	x
<b>Transit Operations</b> Attendance cards Mechanics and Stock Keepers	● →	●	○
<b>Transit Operations</b> Disposal Process	●	x	x

**Date:** 2020-10-26

**Subject:** **Corporate Fraud Prevention Hotline Update**

**Contact:** Sunny Kalkat, Director, Internal Audit, 905-874-2215,  
satinder.kalkat@brampton.ca

**Report Number:** CAO's Office-2020-385

**Recommendations:**

1. That the report titled: **Corporate Fraud Prevention Hotline Update**, to the Audit Committee Meeting of November 24, 2020, be received.

**Overview:**

- The Corporate Fraud Prevention Hotline ("Fraud Hotline") was launched on July 4, 2016 for the use of City of Brampton employees;
- Since the launch, the Fraud Hotline has received a total of 48 reports of alleged fraud. Since the last update to Audit Committee on September 8, 2020, no new reports were received by the Fraud Hotline; and
- Internal Audit will provide ongoing updates on the status of the Fraud Hotline to the Audit Committee.

**Background:**

As part of the City of Brampton's ("the City") commitment to protecting its assets, a Fraud Framework to prevent, detect, and report incidents of fraud, as well as investigate any suspected acts of fraud, was established. On July 4, 2016 the City launched the Corporate Fraud Prevention Hotline, which allows City employees to report alleged incidents of fraud. The Fraud Hotline allows employees to report incidents anonymously and confidentially 24 hours a day, seven days a week. To report an incident of suspected fraud, employees can submit a report through the third-party secure website or over the phone through a third-party dedicated toll-free number.

As a result of low activity related to the Fraud Hotline and the number of new employees joining the City, the Fraud Framework was re-launched in 2018, consisting of the updated Fraud Prevention Policy and the Fraud Hotline. The Fraud Framework complements other existing policies, which taken together, are intended to support and strengthen the City's commitment to the Corporate Values of courage, trust, compassion, and integrity.

Internal Audit performs its assurance and consulting activities guided by a philosophy of adding value to improve the operations of the City of Brampton. As part of this commitment, Internal Audit has created and maintains an Employee Fraud Awareness Program, providing employees with tools and information, and encouraging the use of the Fraud Hotline. If required, employees should feel empowered to do the right thing to ensure the City's assets are protected.

### **Current Situation:**

Internal Audit updates the Audit Committee on the status of the Fraud Hotline, including statistics on the number and types of reports received. Since the update report was presented at the September 8, 2020 Audit Committee Meeting, the Fraud Hotline has received no new reports. All reports have been reviewed and delegated, and Internal Audit has worked with appropriate parties to conclude all reports.

The following table provides a summary of all reports received between January and September 2020.

*Table 1: Reports Received January-September 2020*

<b>New Reports Submitted as of Q3 2020</b>			
<b>Date Submitted</b>	<b>Report Category</b>	<b>Report Method</b>	<b>Report Status</b>
January 2020	Undefined	Web	Closed
February 2020	Embezzlement or Fraud	Web	Closed
March 2020	Unethical Conduct	Web	Closed
May 2020	Harm to People	Web	Closed
June 2020	Embezzlement or Fraud	Web	Closed

At the June Audit Committee Meeting, Audit Committee members requested that staff provide a summary of the reports received by the Fraud Hotline. The following is a high-level summary of the complaints received in Q1 and Q2 2020:

- Low morale/ poor management/bullying & disrespectful behavior by management;
- Hiring practices/HR recruitment/ political staff influence over hiring of City staff; and
- Unauthorized purchases of safety shoes by forging signature.

## **Corporate Implications:**

### Financial Implications:

The 2020 operating budget approved by Council, includes amounts for a third-party to operate the Corporate Fraud Prevention Hotline.

### Other Implications:

None

## **Term of Council Priorities:**

This report fulfills the Council Priority of ‘Brampton is a well-run city’ through the support of the Corporate Fraud Prevention Policy and Fraud Hotline, which promote Corporate accountability, our Corporate values, and governance best practices.

## **Conclusion:**

The Corporate Fraud Prevention Policy and Hotline enhances and strengthens the City’s governance structure. It reinforces Council’s expectations regarding rules of behavior and emphasizes the values of the City. The Office of Internal Audit will continue to update the Audit Committee on the status of the Fraud Hotline and any ongoing and/or completed fraud investigations.

Authored by:

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Sabrina Cook  
Coordinator, Internal Audit

Reviewed by:

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Sunny Kalkat  
Director, Internal Audit

Approved by:

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David Barrick  
Chief Administrative Officer

Submitted by:

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David Barrick  
Chief Administrative Officer



**Date:** 2020-11-03

**Subject:** Deferral of Data Architecture and Management Audit

**Contact:** Sunny Kalkat, Director, Internal Audit, 905-874-2215,  
satinder.kalkat@brampton.ca

**Report Number:** CAO's Office-2020-355

**Recommendations:**

1. That the report titled: **Deferral of Data Architecture and Management Audit**, to the Audit Committee Meeting of November 24, 2020, be received.

**Overview:**

- A Data Architecture and Management Audit was part of the 2020 Internal Audit workplan;
- Preliminary audit work commenced in August, and Internal Audit became aware that the Digital Innovation & IT (DIIT) team was not yet ready for this audit; and
- A decision was made to defer the Data Architecture and Management audit to a future date in order to ensure the audit provides value to management.

**Background:**

As a part of the approved 2020 Internal Audit work plan, Internal Audit (IA) was scheduled to perform a Data Architecture and Management audit in Q4 2020. The objective of the engagement was to review DIIT's progress on implementing the 'Data and Analytics Strategy Report' created for the division in 2019 by an external consultant. Due to resource constraints and COVID-19 related priorities, the recommendations from the report have not yet been implemented, and conducting an audit at this time would not provide value to DIIT management.

**Current Situation:**

IA held a preliminary audit-planning meeting with DIIT on August 9, 2020 and discovered that the work had not progressed beyond the delivery of the 2019 strategy report, and no project leader was appointed to lead this initiative. As such, IA made the decision to defer the Data Architecture and Management audit, in order to ensure value can be provided to DIIT management.

Please refer to appendix 1 for the memo issued to the Chief Information Officer (CIO), advising of the audit's deferral.

IA concluded that the consultant's report provided management with the information needed to create action plans, and DIIT management is in the process of updating the strategy dates. IA will monitor the implementation of these recommendations and the development of the strategy in order to determine an appropriate time to conduct this audit.

**Corporate Implications:**Financial Implications:

None

Other Implications:

None

**Term of Council Priorities:**

This report achieves the Term of Council Priority of 'Brampton is a well-run city' through the establishment of an internal audit function, which promotes corporate accountability, values, and governance best practices.

**Conclusion:**

Internal Audit is committed to being a collaborative partner and ensuring audits conducted provide value to management. Due to delays in the implementation of the data strategy, the Data Architecture and Management audit has been deferred to a future date.

Authored by:

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Sabrina Cook, Coordinator  
Internal Audit

Reviewed by:

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Sunny Kalkat, Director  
Internal Audit

Approved by:

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Sunny Kalkat, Director  
Internal Audit

Submitted by:

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David Barrick  
Chief Administrative Officer

**Attachments:**

Appendix 1: Deferral of Data Architecture and Management Audit-Memo



## INTERNAL AUDIT MEMO

**Date:** November 3, 2020

**To:** Kumanan Gopalasamy, Chief Information Officer (CIO), Corporate Support Services

**From:** Sunny Kalkat, Director, Internal Audit

**Re:** Data Architecture and Management Audit

---

The purpose of this memo is to communicate the Internal Audit (IA) decision to postpone the Data Architecture and Management audit.

IA was to review Digital Innovation and Information Technology's (DIIT) progress on implementing an external consultant's 'Data and Analytics Strategy Report' created for DIIT in 2019. While planning for the audit, IA became aware that the implementation had been delayed due to resource constraints and COVID-19 related priorities and concluded that performing an audit at this time would not add value. IA will monitor the implementation and schedule an audit at a future date.

### Background

Data governance and architecture was ranked as high risk in IA's 2018 IT Risk Assessment. DIIT subsequently engaged an external consulting firm to develop a strategy and the 'City of Brampton Data and Analytics Strategy Report' was released on August 20<sup>th</sup>, 2019. The consultant's report ranked the City's data and analytics strategy at a low maturity level.

The implementation of the three-year strategy was assigned to a DIIT senior manager for implementation.

The implementation of strong data and analytics capabilities is a significant undertaking that will drive cultural change and requires corporate commitment. Lack of adequate data management practices and controls increases data security and data availability risk; limits the City's ability to leverage data to plan and manage municipal services; and limits data transparency.

## **Audit Planning Meeting**

IA held a preliminary audit-planning meeting with DIIT on August 9, 2020 and discovered that the work had not progressed beyond the delivery of the 2019 external consultant's strategy report. No project leader was appointed after the responsible DIIT senior manager became unavailable. There is a knowledge gap as well due to many members of the senior leadership group who are no longer with the City. An actual project plan to implement the strategy was not in place.

## **Data and Analytics Strategy Report Review**

IA reviewed the contents of the external consultant's strategy report. IA concluded that the consultant's report provided management with the information needed to create action plans, and conducting an audit at this time would not provide any new information.

## **Management Action Plan**

1. Management is in the process of updating the strategy dates.
2. A senior manager responsible for the strategy implementation is being hired. The job posting closed on September 23<sup>rd</sup>.
3. IA will report on management actions during the quarterly management action plan (MAP) updates.

## **IA Conclusion**

IA concludes that performing an audit at this time will not add value. The actions needed to be taken by management to address data risk have been identified and mapped out in a three-year strategy. Management recognizes the importance of strong data management and analytics capability and has taken steps to move the initiative forward.

Regards,

Sunny Kalkat  
Director, Internal Audit

**Date:** 2020-11-17

**Subject:** Deferral of Realty Services Audit

**Contact:** Sunny Kalkat, Director, Internal Audit, 905-874-2215,  
satinder.kalkat@brampton.ca

**Report Number:** CAO's Office-2020-348

**Recommendations:**

1. That the report titled: **Deferral of Realty Services Audit** to the Audit Committee Meeting of November 24, 2020, be received.

**Overview:**

- A Realty Services Audit was one of the audits of the 2020 Internal Audit plan;
- Preliminary audit work commenced in September and Realty Services management expressed concerns to the Internal Audit; and
- A decision was made to defer the Realty Services audit to 2021 in order to ensure the audit provides value to management.

**Background:**

As a part of the approved 2020 Internal Audit work plan, Internal Audit (IA) was scheduled to perform a Realty Services audit in Q4 2020. The objective of the engagement was to examine and evaluate the adequacy, efficiency, and effectiveness of internal controls and processes related to Realty Services for the period January 1, 2018 to June 30, 2020.

**Current Situation:**

An introductory meeting was conducted with the Realty Services team on September 17, 2020. In a subsequent call on September 29, 2020, IA learned the concerns and/or challenges faced by Realty Management to maintain the ongoing critical projects, regular Council meetings/updates, and other important priorities. IA was advised that currently management is in the process of bringing the processes up to date.

We understood that the current audit timeline may put extra strain on management, and the audit results may not add value for management. As such, a decision was made to defer the audit to 2021.

Please refer to appendix 1 for the memo issued to the Acting Commissioner of Community Services, advising him of the audit's deferral.

**Corporate Implications:**

Financial Implications:

None

Other Implications:

None

**Term of Council Priorities:**

This report achieves the Term of Council Priority of 'Brampton is a well-run city' through the establishment of an internal audit function, which promotes corporate accountability, values, and governance best practices.

**Conclusion:**

Internal Audit is committed to being a collaborative partner and ensuring audits conducted provide value to management. Due to concerns expressed by Realty Services, the Realty Services audit has been deferred to 2021.

Authored by:

Reviewed by:

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Sabrina Cook, Coordinator  
Internal Audit

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Sunny Kalkat, Director  
Internal Audit

Approved by:

Submitted by:

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Sunny Kalkat, Director  
Internal Audit

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David Barrick  
Chief Administrative Officer

**Attachments:**

Appendix 1: Deferral of Realty Services Audit-Memo

**Date:** October 14, 2020  
**To:** Derek Boyce, Acting Commissioner, Community Services  
**From:** Sunny Kalkat, Director, Internal Audit  
**Subject:** Deferral of Realty Services Audit

---

The purpose of this memo is to communicate the deferral of the Realty Services audit originally planned in Q4 2020, due to the current challenges faced by the Realty Services team. The audit has been postponed to Q3 2021.

### **Background:**

As a part of the approved 2020 Internal Audit work plan, Internal Audit (IA) was scheduled to perform a Realty Services audit in Q4 2020. The objective of the engagement was to examine and evaluate the adequacy, efficiency and effectiveness of internal controls and processes related to Realty Services for the period January 1, 2018 to June 30, 2020. The tentative scope of work was as follows:

- Departmental governance and oversight
- Process for department budget preparation and monitoring process
- Review of controls for property leasing/ acquisition/ disposal
- Controls in place for billing and lease payment Process
- Review of departmental expenses
- Compliance with City by-laws and legislative requirements

### **Introductory meeting with Management:**

An introductory meeting was conducted with the Realty Services team on September 17, 2020 with the objective to introduce teams, communicate the audit plan, scope, and timelines. Attendees were as follows:

#### Realty Services Team

Senior Manager  
Senior Coordinator, Real Estate  
Senior Coordinator, Real Estate

#### Internal Audit

Sunny Kalkat – Director, Internal Audit  
Manager, Internal Audit  
Senior Internal Auditor, Internal Audit

Realty Services management expressed that they have been facing challenges due to COVID-19 and other issues. As per Realty Services management, existing team members have been multi-tasking and putting in extra hours to meet the timelines for routine work.

The key meeting take away for IA was to provide a list of initial information requirement. The information was required to enable IA to scope the review, prepare an audit program, and start fieldwork in the first week of October.

**Initial data requirements and subsequent follow-ups:**

A request for initial information was made on September 18, 2020 containing the following items:

- Department standard operating procedures (SOP's) and organization chart
- List of software used by RE team along with a brief description of functionality
- KPIs report for 2019 and draft KPIs for 2020
- Leased facilities including tenant name and value. Rent schedule report, to include: property address, monthly rent amount, rent payment dates, etc...
- List of property disposed-off during the period of January 2019 to June 2020
- List of all real estate acquisitions made by RE team for audit period
- Documentation for rent deferral/waiver due to COVID-19
- Processes details for receiving rent checks and payments

In a subsequent call on September 29, 2020, IA learned the concerns and/or challenges faced by Realty Services management to maintain the ongoing critical projects, regular Council meetings/updates and other important priorities. We understood that the current audit timeline may put extra strain on management and the audit results may not add value for management. As we understand, management is in the middle of bringing the processes up to date.

**Conclusion:**

Considering the current business commitments and service delivery requirements of Realty Services, IA has agreed with management to defer the audit to Q3 2021.

Regards,

Sunny Kalkat  
Director, Internal Audit

**Date:** 2020-10-27

**Subject:** **Transit Operations Audit Report**

**Contact:** Sunny Kalkat, Director, Internal Audit, 905 874 2215,  
satinder.kalkat@brampton.ca

**Report Number:** CAO's Office-2020-354

**Significant Improvement Required****Executive Summary:**

Internal Audit conducted a review of the City's Transit Operations. The annual operating budget for Brampton Transit is \$174Million, and is one of several major services provided to the residents of Brampton.













The main objective of the audit was to ensure that policies and procedures are in place and adhered to, the operations are streamlined, and transparent. Proper processes are in place to ensure all costs and revenue are accounted for, and the budgets were properly maintained and variances were properly analyzed and approved.

The background, the audit scope, and objective are explained in **Appendix 1**.





**Some of the strengths we found in the processes are as follows:**

- Majority of the SOPs are available and distributed to the staff on a timely basis
- System reports are available for management for analysis and reconciliations.
- A well-organized inventory system is in place at both Transit locations to allow easy and efficient access to all inventory items.
- Daily and monthly reconciliations are performed with various systems for PRESTO fare payments.
- Payments and credits for inventory and fuel purchases are processed on a timely basis with no duplicate payments.

**Internal Audit discussed the following improvement opportunities with the Transit team:**

<b>Process</b>	<b>Finding</b>	<b>Rating</b>
Procurement Process	<ul style="list-style-type: none"> <li>Purchase orders (PO's) are not reviewed and approved before sending them to the vendors.</li> <li>Stock-keepers issue PO's and receive products in the system i.e. no segregation of duties.</li> </ul>	
Scrap Sales	<ul style="list-style-type: none"> <li>Scrap is not segregated by metal during the sale i.e. steel and aluminum.</li> <li>Scrap weight is not independently verified prior to the sales.</li> </ul>	
Inventory Management	Repair parts purchases from different vendors are stored under the same part number in the system.	
Inventory Management	<ul style="list-style-type: none"> <li>Significant variances noted during physical verification of existing inventory items.</li> <li>No cycle count are conducted at Sandalwood location.</li> </ul>	
Inventory Management	No integration between M5 and TCCS system resulting into duplication of manual efforts.	
Policies and Procedures	Some of the standard operating procedures are not current and require updates.	
Fuel Cards	Fuel cards used by non-revenue generated vehicles need stronger oversight.	
Fuel Monitoring	The fuel transactions invoices require more oversight to confirm that the invoices are complete, accurate, and appropriate before signing off.	
Fuel Reconciliations	No established threshold is in place for fuel fluctuation due to temperature variability.	
Fuel Inventory	Noted instances wherein vendor invoiced quantities were greater than quantities recorded as delivered on site.	
Fare Collection and Enforcement	<ul style="list-style-type: none"> <li>Better analysis is needed for estimates and acceptable target for fare evasion.</li> <li>The process to review the partial fare numbers based on the existing report and the strategic actions of fare enforcement resources need improvements.</li> </ul>	
Accident Claims	Accidents claims report process needs improvements for reporting regarding the timelines and locations of accidents.	



Budget Monitoring	Inadequate review of budget base and actual spend for Snack bar sales.	
Repair and Maintenance	Inspection sheets completed as per MTO guidelines need stronger review process.	
Attendance Cards	Mechanics and stock keepers using physical cards for attendance records which is a manual process and prone to errors.	
Disposal Process	Anomalies noted in the documentation for disposal process.	
<p>These issues and associated management action plans are explained in more detail in <b>Appendix 1</b>. These issues are rated as per criteria explained in <b>Appendix 2</b>.</p>		

**Conclusion:**

Internal controls over Transit operations require **Significant Improvement**.

Overall report rating is determined as per criteria for audit report rating explained in **Appendix 3**.

We thank the Transit team for their support and efforts during the audit.

Authored by:

\_\_\_\_\_  
Gurpreet Singh, Manager  
Internal Audit

Reviewed by:

\_\_\_\_\_  
Sunny Kalkat, Director  
Internal Audit

Approved by:

\_\_\_\_\_  
Sunny Kalkat, Director  
Internal Audit

Submitted by:

\_\_\_\_\_  
David Barrick  
Chief Administrative Officer

**Attachments:**

Appendix 1: Contract Awarding Process Audit 2020 Report

Appendix 2: Criteria for Evaluating Audit Findings

Appendix 3: Criteria for Audit Report Rating

## City of Brampton Transit Operations Audit – Audit Report

### Private & Confidential

<b>Audit Name</b>	City of Brampton, Transit Operations		
<b>Sponsor(s)</b>	Alex Milojevic, General Manager, Transit		
<b>Business Unit</b>	Transit Operations	<b>Date Issued:</b>	<b>October 7, 2020</b>

### 1.0 Executive Summary

#### Audit Rating and Conclusion

##### *Overall Findings:*

**Significant Improvement Required**

“Significant Improvement Required” over internal controls for inventory management, fuel purchasing, cash fares and governance processes at Transit operations

Inherent risk was evaluated as high due to significant operational budget for 2020 and potential impact to city of Brampton residents due to the services provided by Transit. During the audit, we reviewed the processes for internal controls, efficiency and effectiveness.

During our review of Transit facilities we observed the following strengths in the various processes:

- Payments and credits for inventory and fuel purchases are processed on a timely basis with no duplicate payments
- Invoices are matched with packing slips/invoices prior to the processing
- System reports are available for management for analysis and reconciliations
- Majority of the SOPs are available and distributed to the staff on a timely basis
- Management was very supportive and organized during the review process
- Management has a process in place to deal with old inventory
- A well-organized inventory system is in place at both Transit locations to allow easy and efficient access to all inventory items.
- Daily and monthly reconciliations are performed with various systems for PRESTO fare payments

- Transit has been working with Presto to install the first generation devices in all the buses to connect remotely to discover any malfunctioning while a bus is operational. Almost 50% of the buses are converted to the new devices and entire project will be completed by end of 2020. Further management has been working on a new contract and comprehensive service level agreements are being worked on with Presto to mitigate the financial and operational risks highlighted in the previous audit.

Internal Audit discussed the following improvement opportunities with Transit management to support the organization's objectives:

**Inventory Management**

- Purchase requisitions/purchase orders are not approved by senior personnel (invoices are approved by senior personnel)
- Scrap sales process needs improvement
- Inventory management systems are not integrated
- Inventory part identification system needs improvement
- Controls over inventory distribution and accounting needs improvement at Sandalwood facility
- Incompatible functions are not properly segregated

**Fuel Management**

- Non-revenue generating vehicles operators are not trained to use onsite fuel pumps at the Sandalwood facility
- Off-site fuel usage monitoring process needs to be updated
- Oversight of fuel fulfilment and usage process needs enhancements

**Revenue Management**

- Fare collection and enforcement processes need enhancement
- Accident claims reporting and recording process needs improvements
- Controls need to be strengthened over budget preparation and monitoring process

**Repair and Maintenance**

- Inspection sheets used for Transit maintenance as per requirements from the MTO needs to be updated

**Governance**

- Some SOPs need to be revised and updated

**Attendance Recording Process**

- Time recording process for mechanics and stock keepers needs to be automated

**Disposal Process**

- Disposal process documentation and removal of disposed assets requires improvements.

The facility management (buildings) process at Transit is not in scope and will be reviewed with a future corporate facility management audit.

### **Background, Objectives, and Scope**

The annual operating budget for Brampton Transit is \$174Million, and is one of several major services provided to the residents of Brampton. The main objective of the audit was to ensure that policies and procedures are in place and adhered to, the operations are streamlined, and transparent, proper processes are in place to ensure all costs and revenue are accounted for, and the budgets were properly maintained and variances were properly analyzed and approved.

During the review, we have utilized data analytics to understand the types and amounts of categories of spend and potentially identify individual transactions for further review.

The period under review is January 1, 2019 to April 30th, 2020.

The scope of our review includes:

- Governance
- Analytics and KPIs
- Procurement-Purchases, Inventory and fleet
- Revenue-Marketing (Advertising) Revenue
  - Operating Revenue including Presto
- Fuel Management Process.
- Maintenance Process-Internal and External.
- Inventory Management (Fleet and spare parts )
- Depreciation.
- Disposals.

## 2.0 Detailed Audit Findings and Proposed Management Actions

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
1	<p><b><u>Purchasing of repair and maintenance parts</u></b></p> <p>The review of purchasing process noted the following:</p> <p>Management, through COB (City of Brampton) Purchasing, set up a series of long term Blanket POs (purchase orders) to establish a roster of parts suppliers. On a weekly basis, Stock Keepers prepare a list of items (shopping list) from the information obtained from M5 system (min and max reports). They contact the full roster of Blanket PO suppliers and obtain competitive pricing and parts availability from each for any or all of the parts on the shopping list. They prepare the templates/POs and send to successful vendors. Once the packing lists and invoices are received, the packing lists and invoices are reconciled and approved prior to sending to Accounts Payable for payment.”</p> <ul style="list-style-type: none"> <li>• Stock Keepers can select the vendors for weekly purchases;</li> <li>• Purchase orders are not reviewed and approved before sending them to the vendors;</li> <li>• There are instances when the Stock-keeper sends the PO's to vendors before completing the PO in M5. They complete the POs after vendor already has the list of</li> </ul>	P2	<p>We recommend the following to improve the process and make it more transparent.</p> <ul style="list-style-type: none"> <li>• Management have set a purchasing limit of \$2,500 for storekeepers and supervisors/managers will be approve amount greater than \$2,500.</li> <li>• Copy of the signed PO will be obtained and saved to match with packing slip and invoice.</li> <li>• Once invoice is received, copy of signed PO and receiving/packing slip and invoice will be reconciled to confirm the prices and quantities.</li> </ul> <p>We understand that management may have resource constraints to observe proper segregation of duties.</p> <ul style="list-style-type: none"> <li>• However, if purchase orders are only sent to the vendors after appropriate personnel approve them, then Stock Keepers can complete receiving.</li> <li>• A weekly report from M5 will be reviewed and approved by the Supervisor for inventory adjustments. These adjustments and approvals will be saved electronically.</li> </ul>	<p>Manager, Maintenance Transit</p> <p>Manager, Maintenance Transit/ Manager, Maintenance</p> <p>Manager, Maintenance Transit/ Manager, Maintenance</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
	<p>items. There are instances when they complete the POs at the time of receiving.</p> <ul style="list-style-type: none"> <li>When a need arises to return the defective parts to the vendors, system is not updated at the time when parts are returned; rather system is updated once credit is confirmed from the vendor.</li> <li>Stock-keepers issue the PO's and receive the products in the system. No segregation of duties.</li> <li>Stock-keepers also have the authority to adjust inventory levels in M5. Managements' approval to process these adjustments are granted after the fact. This is also a non-compliance to SOP that requires the pre-approval prior to adjusting any inventory levels in the system.</li> </ul> <p><b><u>Potential Exposure:</u></b></p> <ul style="list-style-type: none"> <li>There is a potential of purchasing unauthorized material. Stock Keepers can be biased in the vendor selection process. Best prices may not be obtained all the time.</li> <li>When faulty parts are not removed on a timely basis, this can result in inaccurate inventory levels that can force stock out conditions.</li> <li>There is a possibility of paying for what is not received. It is evidenced by the fact that from our POs sample, we found one invoice was fully paid for items returned to the vendor in same day of receiving. We could not obtain</li> </ul>		<ul style="list-style-type: none"> <li>When faulty material is returned to the vendor, material will be removed from the system and physically quarantined to reflect the accurate inventory levels.</li> <li>If the material is returned with a credit, credit note will be created right away and matched with original invoice for accuracy. Credit note will be provided to AP for timely processing.</li> </ul>	<p>Manager, Maintenance Transit/ Manager, Maintenance</p> <p>Manager, Maintenance Transit/ Manager, Maintenance</p> <p>Manager, Maintenance Transit/ Manager, Maintenance</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
	<p>any proof of credit and confirmation the product replacement.</p> <ul style="list-style-type: none"> <li>When POs are not completed prior to receiving, vendor errors of pricing and quantities can go undetected.</li> <li>Lack of segregation of duties give rise to the opportunity to cover errors and possibility of fraud.</li> </ul>				
2	<p><b><u>Scrap Sales</u></b></p> <p>When buses are repaired at the Transit facilities, old and unusable parts are collected as scrap. Some inventory parts also become obsolete and management sell them as scrap. Scrap is sold to a designated scrap dealer selected by Purchasing. The Stock Keeper contacts the dealer to provide the scrap bins. In 2019, the monthly sales of scrap varies from \$1000 to \$3300. In 2020, sales are lower on a monthly basis.</p> <p>Following findings are observed with the process:</p> <ul style="list-style-type: none"> <li>No independent supervision is provided to sell the scrap;</li> <li>Scrap is not segregated by metal i.e. steel and aluminium. The scrap prices are different for various types of scrap.</li> <li>Scrap is not weighed at public scale, scrap weight is provided by the scrap dealer;</li> <li>No confirmation is received to ensure that scrap dealer's scale is calibrated; and</li> </ul>	P2	<ul style="list-style-type: none"> <li>Current citywide contract on scrap is up for re-tendering. Transit will request the process for scrap to be collected and segregated by metal.</li> <li>Process will be put in place to monitor scrap movement. Stock Keeper will inform the Supervisor when the bins are full, supervisor will contact the scrap dealer. When scrap is picked up, Supervisor and Stock Keeper both will sign the pickup slip and evidence of pick up.</li> <li>Current citywide contract on scrap is up for re-tendering. Transit will request the process for scrap dealer to weigh the scrap at public scale.</li> <li>Further, as part of new contract, Transit will request the process to get the scale calibration on an annual basis, if scrap is weighed at the dealer's facility.</li> <li>As part of new contract, Transit will request the process to created sales order in the</li> </ul>	<p>Administrator, Transit Contracts</p> <p>Manager, Maintenance Transit/ Manager, Maintenance</p> <p>Administrator, Transit Contracts</p> <p>Administrator, Transit Contracts</p> <p>Administrator, Transit Contracts</p>	<p>Q1 2021</p> <p>Implemented</p> <p>Q1 2021</p> <p>Q1 2021</p> <p>Q1 2021</p>

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
	<ul style="list-style-type: none"> <li>No sales order is created in the system to record the sale. An invoice is created and paid by the scrap dealer.</li> <li>Scale calibration report is not obtained from the dealer.</li> </ul> <p><b><u>Potential Exposure:</u></b></p> <ul style="list-style-type: none"> <li>If scrap dealer does not pay, there is possibility to miss the payment.</li> <li>Best value of scrap may not obtained due to selling all metals together.</li> <li>Scrap might be undersold due to non-confirmation of weight and prices.</li> </ul>		<p>system once the weight is confirmed. If scrap is not paid on a timely basis, management will follow up.</p> <ul style="list-style-type: none"> <li>Management will keep a log of scrap sales picked up by the dealer and on an annual basis, will review the scrap weight sold to determine the trend to ensure that all scrap is accounted for.</li> </ul>	Manager, Maintenance Transit/ Manager, Maintenance	Implemented
3	<p><b><u>Inventory Parts Identification Process</u></b></p> <p>Inventory parts purchased from various vendors are stored under same part number.</p> <p>As per management, two types of purchases are made. Assigned parts are purchased from assigned vendors and stored under part numbers.</p> <p>Some Parts are also purchased as a part of shopping list where various vendors are given the opportunity of bidding and winning the bids. All these parts purchased by these vendors are recorded as by After Market Part Company. Same parts can be purchased from various vendors. Same parts are stored under one number regardless of the supplier.</p>	P3	Management will perform detailed review and explore possibilities to look into the parts inventory to determine the parts that have the useful life, safety, and/or warranty issues. These parts should be given unique number/name as per vendor. Invoices should also be entered and paid in the system by vendor names in order to create a proper audit trail.	Project Leader, Transit Business Imp	Q1 2021



Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
	<p><b>Potential Exposure:</b> This creates a risk of parts identification. Especially, if something goes wrong with the part, it might be hard to identify the vendor. This can also create a warranty and even safety issues.</p>				
4	<p><b>Physical Inventory Management:</b></p> <p>Physical inventory management needs improvements at Sandalwood facility</p> <p>We conducted physical counts at both locations, Sandalwood and Clarks. A sample of parts were taken from M5 inventory reports one day in advance of physical counts. Sheet to Floor and Floor to sheet counts were completed in order to validate the system adequacy and the existence and accuracy of inventory levels reported.</p> <ul style="list-style-type: none"> <li>30% of the items from the selected sample had differences in quantities at Sandalwood location while the variance at Clarks was only 9 %.</li> <li>At Sandalwood location, the Stock-keepers were unable to verify the differences. At Clarks, we were able to reconcile the missing items that have not been processed in the system and the quantities were adjusted accordingly.</li> <li>In addition, Clark location completes cycle counts on a monthly basis. No similar activity could be observed at Sandalwood location.</li> <li>We also observed the events where mechanics obtain the parts for repair</li> </ul>	P1	<ul style="list-style-type: none"> <li>In order to ensure the accurate accounting and reporting, full cycle inventory counts will be conducted periodically. All discrepancies will be noted and reviewed. Inventory adjustments will be approved by by Supervisor's.</li> <li>In addition, a review of cycle count frequencies will be undertaken and results implemented.</li> <li>A recruitment of vacant Stock Keepers positions is currently underway.</li> <li>In addition, transit will undertake a review of shift coverage at both locations to assess the benefits/costs of full 24/7 Stock keeper coverage by the end of Q1.</li> <li>In the meantime, forepersons and lead hands will continue to reinforce the requirement for mechanics to record inventory withdraws during after-hours and in the absence of Store Keepers. Inventory adjustments will be analysed to identify trends of non-recording incidents</li> </ul>	<p>Manager, Maintenance Transit/ Manager, Maintenance</p> <p>Project Leader, Transit Business Imp</p> <p>Manager, Maintenance Transit/ Manager, Maintenance</p> <p>Project Leader, Transit Business Imp</p> <p>Manager, Maintenance Transit/ Manager, Maintenance</p>	<p>Q4, 2020</p> <p>Q1 2021</p> <p>Q4 020</p> <p>Q12021</p> <p>Implemented</p>

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
	<p>without submitting a work order. No accounting is completed for these parts.</p> <p><b>Potential Exposure:</b></p> <ul style="list-style-type: none"> <li>• Without accounting for all the parts (when not all the used parts are obtained by completing a work order) can lead to wrong cost of repairs.</li> <li>• Management can face stock out conditions if all used parts are not accounted for</li> <li>• Large physical variance can lead to overstating the inventory values.</li> <li>• Missing inventory can raise a concern of misuse.</li> </ul>				
5	<p><b><u>Inventory management systems are not integrated</u></b></p> <p>Transit uses M5 and TCCS system to store and purchase inventory. As per Transit, management M5 is not capable for handling the electronic parts for Presto and cameras. TCCS system is used for these electronic parts. However, all parts are first entered in M5 to account and to make payments. Both systems are not integrated. Information is updated in both systems manually. Transit management has brought this to IT attention, however; the project has not been approved.</p> <p><b><u>Potential Exposure:</u></b></p> <p>This creates extra manual work and creates inefficiency in the process of purchasing and receiving. It is also prone to errors.</p>	P3	Transit has raised this issue with IT and the M5 project team. Management must present this issue to IT. This change may require an upgrade or modifications to implement. Transit will recommend the review and reporting on this to be completed in time for the 2022 budget submission.	Manager, Maintenance Transit	Q2 2022

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
6	<p><b><u>Standard operating procedures are not current</u></b></p> <p>Internal Audit selected 33 standard operating procedures (SOPs) documents for review. The majority of these SOPs related to processes already being audited. Our work included ensuring SOPs were reviewed and approved on a timely basis, completeness of content, and alignment to the practices observed during fieldwork. We also discussed the process to update and distribute SOPs to staff.</p> <p>Overall, we found staff were aware of the SOPs available to them, and that there is a process in place to distribute documents through the department's internal site.</p> <p>There were 9 SOPs required an update per the "approved" dates, and 1 SOP that included a process that did not occur. We understand that the current pandemic had also affected their ability to conduct a timely review. We have noted SOPs that require an update separately with management, as some requirements for updates stemmed from current audit recommendations.</p> <p><b><u>Potential exposure</u></b></p> <p>Outdated procedures can lead staff to use non-</p>	P3	<p>Management will review and update all SOPs that are out of date to ensure content is current, relevant and reflects current practices. In addition, if any of the processes are going to be changed due to Audit recommendations, management will update those SOPs as well.</p>	Director, Transit	Dec 2020

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
	standardized procedures.				
7	<p><b><u>Fuel card usage for Sandalwood vehicles that have access to on-site pumps</u></b></p> <p>Sandalwood facility has on-site pumps for both diesel and unleaded regular gas. Supervisors used vehicles are not always using the on-site pumps; rather they will use the vehicle's fuel card to obtain fuel off-site.</p> <p>Manager, Maintenance discussed that in order for Supervisors to use the on-site gas stations, the Supervisors are required to complete a training module (expected to be one day) so they are enabled to deal with issues (i.e. safety) that may arise, and to discuss user responsibilities.</p> <p><b><u>Potential exposure</u></b></p> <p>There is a higher opportunity to misappropriate fuel at off-site gas stations. Use of off-site pumps does not fully utilize available volume discounts the City has negotiated.</p>	P3	<p>The use of the off-site fuel pumps will be for exceptional circumstances (such as when a supervisor is required to be away from the Sandalwood facility for a long period of time, and it would not be efficient to drive back to Sandalwood facility to obtain gasoline).</p> <p>Management has conducted fuel training for Supervisors that operate vehicles out of Sandalwood so they fuel using the on-site pumps whenever possible. For future, management will also explore the possibility of virtual training sessions to facilitate easier attendance.</p> <p>Management will review fuel card administration to ensure all users that require a card are set up with one.</p>	<p>Manager, Maintenance Transit</p> <p>Manager, Maintenance Transit</p> <p>Manager, Maintenance Transit</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
8	<p><b><u>Monitoring off-site fuel usage and approval of monthly invoices</u></b></p> <p>Currently the Coordinator, Maintenance tracks individual vehicle mileage upon receiving receipts for the fill ups. The workbook keeps a running total of vehicles along with odometer reading; however it does not include an</p>	P2	<p>Management will enhance controls over monitoring fuel card usage, such as utilizing the fuel vendor's system-generated exception reports on a monthly basis, to identify unusual transactions or trends including average mileage by vehicle. Further, Additional monthly reports have been requested from the vendor. Trends or</p>	<p>Manager, Maintenance Transit/ Manager, Maintenance</p>	<p>Implemented</p>

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
	<p>analysis of odometer reading reasonability or consumption patterns (such as mileage). There is no additional exception reporting available to highlight the unusual parameters such as</p> <ul style="list-style-type: none"> <li>• Unusual fill quantities for the type of vehicle (sedan, SUV)</li> <li>• Transaction times</li> <li>• Type of fuel purchases</li> <li>• Multiple transactions conducted in a short period of time etc.</li> </ul> <p>The current process is time-consuming and inherently prone to errors because it relies on manual data entry and submission of receipts with handwritten notes in a timely manner.</p> <p>This process also only tracks fuel for vehicle based out of the Clark facility. We reviewed the workbook for January 2020, which totalled \$5,205, but the overall invoice for fuel purchases net of discounts was \$10,505 indicating a portion of fuel invoices are not covered under the monitoring process. As a result, the Manager, Maintenance is unable to verify fuel transactions are complete, accurate, and appropriate when signing off on the monthly invoices.</p> <p><b><u>Potential exposure</u></b></p> <p>Misuse or misappropriation of fuel could go undetected if usage is not monitored on a regular basis.</p>		unusual transaction will be reported to Supervisors for appropriate action.		

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
9	<p><b><u>Monitoring fuel inventory volumes and fuel usage reconciliation</u></b></p> <p>Transit purchases fuel directly at two of its facilities. There are controls in place to ensure only employees can access the fuel pumps for buses or support vehicles.</p> <p>Fuel inventory is reconciled daily, using fuel consumption data that is measured from the two sources: on-site pumps, and by measuring the change in tank inventory. This inventory information is recorded on a daily basis for fuel reordering. This also assist management to identify any exceptions with the Maintenance Manager.</p> <p>Some fluctuations are common due to temperature variability. However, there is no established threshold available to trigger further review.</p> <p><b><u>Potential exposure</u></b></p> <p>Fuel loss can occur for various reasons such as theft (before or after delivery), or metering or equipment issues. A formal process to investigate anomalies can help detect fuel loss early on.</p>	P3	<p>Management will establish and documented appropriate variance thresholds for investigating for monitoring fuel inventory. Transit will confer with other local GTHA transit agencies as a benchmark exercise and establish an appropriate threshold</p> <p>Any investigations conducted and explanations will be formally documented and reviewed on a periodic basis.</p>	Manager, Maintenance Transit	Oct 2020

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
10	<p><b><u>Receiving and paying for fuel inventory</u></b></p> <p>Fuel purchases for on-site tanks are delivered directly by vendors or their shippers. The shipper completes the delivery and leaves a copy of the Bill of Lading (BOL) that indicates the quantity of fuel purchased. The vendor sends an invoice for each individual delivery. The invoice is matched with corresponding BOL and sent to Accounts Payable for payment.</p> <p>In the background, on-site tank gauges automatically measure the delivery quantities and records it automatically into Site Manager. The BOL is not matched with a reading from the Site Manager.</p> <p>This process does not address the risk that the Bill of Lading can be inaccurate. During the audit, we noted there were two instances in November and December 2019 where vendor invoiced quantities were greater than quantities recorded as delivered in Site Manager. These discrepancies were subsequently recovered from the vendor through a credit.</p> <p><b><u>Potential exposure</u></b></p> <p>Unverified fuel delivery amounts could result in over payment and financial loss.</p>	P2	<p>Transit will perform a reconciliation between Site Manager delivery quantities vs. invoiced quantities prior to sending invoice to Accounts Payable to ensure Transit is only paying for fuel quantities delivered within an acceptable threshold level.</p>	Manager, Maintenance Transit/ Manager, Maintenance	Implemented
11	<p><b><u>Fare Collection and Enforcement</u></b></p> <p>Fare shortage is the situation where passengers either do not pay or partially pay. Fare shortages cause a loss of fare revenue.</p>	P2	<p>We understand that due to the safety of our operators, the fare evasions is a part of the Transit operations.</p>	Director, Transit	End of 2021

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
	<p>Management has some controls in place to discover the fare shortages.</p> <p>Further, There are several reasons for the non-payment of transit fares, which includes but not limited to equipment issues, refusal of customers to pay, inability of customers to pay etc.</p> <p>Transit has a fare policy to remind customers of the fare and to report it if there is an observed re-occurrence by the customer for supervisory staff to address. The policy also strives to minimize or eliminate fare disputes between operators and customers (the largest cause of operator assaults), and to minimize service disruptions.</p> <p>Presently, operator is responsible for the selection of partial fare key option in the fare box system to track such cases.</p> <p>Our review of available data on revenue and ridership data for 2019 indicated that 1.30% (i.e. 410K riders out of a total riders of 32M) of riders have travelled by either paying no or less than the full fare. In revenue terms, these riders paid an average partial fare value of \$1.02 instead of full fare of \$4. This resulted into a possible fare evasion of \$1.23M.</p> <p>The above data is considered conservative given the following instances where we could not estimate related revenue</p>		<p>Transit will determine possible other measures to help to refine estimates of the non-payment of fares by the end of 2021. An annual report will be submitted to Council on this</p> <p>Transit will set acceptable targets for fare evasion and develop short and long-term strategies to reduce the fare evasion by leveraging on existing resources available while maintaining customer service and relationship. Further, transit will conduct a benchmarking exercise with other GTHA transit systems before establishing any targets.</p> <p>As part of the rollout of new PRESTO on-board equipment project, the “partial fare button” is being split into a “partial fare button” and “no payment fare button”. This will allow for greater analysis of no payment hotspots by route to allow for more targeted fare enforcement measures. All Operators have been trained as part of the project on the use of these buttons.</p> <p>Transit will periodically analyze no/partial fare at the route/location/driver level to use the data to deploy the strategic actions of fare enforcement resources.</p> <p>Transit conducts regular soft skills training for operators with higher fare evasion rates and find out ways to enforce fare by operators without getting into confrontation with the passengers or any safety related issues. Further, Transit will confer with other transit systems to determine if improvements are possible</p>	<p>Director, Transit</p> <p>Senior Manager, Ops</p> <p>Director, Transit</p> <p>Supervisor, Training/Safety</p> <p>Director, Transit</p>	<p>End of 2021</p> <p>Implemented</p> <p>March 2021</p> <p>March 2021</p> <p>End of 2021</p>



Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
	<ul style="list-style-type: none"> <li>Operators may not be able to press partial fare button for passengers entering through the rear bus door or on busy routes/hours where both rear and front doors are used for boarding.</li> <li>Some of the operators may not be diligent enough to press partial fare button for each instance.</li> <li>Fare loss because of presto fare card reader not working were not tracked presently.</li> </ul> <p>Our discussion with process owners and review of data indicated following exceptions in the existing process:</p> <ul style="list-style-type: none"> <li>Transit covers fare shortages through mystery shopper program. However, this is not an effective control in 2019; only 87 visits were conducted for the fleet of 450 buses on 70 different routes.</li> <li>There is no process to review the partial fare numbers based on the existing report. This information can help management to analyze identify high-risk routes and develop the appropriate action plans.</li> <li>Buses are equipped with video cameras. However, cameras are not used for live monitoring nor reviewed subsequently to identify actual fare evasion for routes with red flags</li> </ul> <p><b><u>Potential Exposure</u></b></p> <p>Fare shortages cause a loss of revenue.</p>		Transit will undertake a benchmarking study with other GTHA transit systems on ways to increase payment for fares		

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
12	<p><b><u>Transit Accident Claims Process</u></b></p> <p>Inadequate tracking of accident claims results into non-compliance to our insurance policy.</p> <p>As per existing process, Transit team prepares Accident Tracker and submit claims to the internal Risk Management Team.</p> <p>As per insurance arrangement with risk team, claims can only be submitted for accidents happened at external locations and have to be submitted within the six months from the date of accident. If the damages amounts are not known at time of submission, claim can be submitted based on vendor estimate and/or appraisal report for large values.</p> <p>Based on our review of Accident Tracker maintained by Transit, we noted that only claimable accidents are tracked. Any claims denied due to missing the reporting deadline of six months or any other reasons are not added to the existing tracker.</p> <p>Our review of GL for claims noted that ten claims were claimed and Risk department provided amounts. However, none of these claims was recorded in accident tracker. This raises a concern over the completeness and accuracy of the tracker.</p>	P2	<p>Going forward, accident tracker will record all claims claimable and non-claimable. This will provide further insight to management on the causes of accidents within our facilities and may require further training and safety measures in our facilities.</p> <p>Accident Tracker will be reconciled with GL on monthly basis to review completeness and accuracy.</p> <p>All claims are now formally tabled at the Maintenance Update meetings with the Director, focusing especially on high dollar claims, claims that are or might be denied and those approaching the 6-month deadline.</p> <p>Transit and Risk Management will meet formally to review all transit claims.</p>	<p>Manager, Maintenance Transit</p> <p>Manager, Maintenance Transit</p> <p>Manager, Maintenance Transit/ Manager, Maintenance</p> <p>Director, Transit</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>October 2020</p>

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
	<p>During our audit period, \$1.13M accident claims were settled with the Risk Management. We also noted \$180K (i.e. 16% of claimed value) were denied due to the following reasons:</p> <ul style="list-style-type: none"> <li>• Nine claims worth \$158K were not/partially reported to the Risk Team due to missed deadlines and incomplete estimates. Further, out of these, single largest claim denied was for \$100K.</li> <li>• As per Risk and Insurance Team, the damage/accident locations were not known to the drivers/Transit, they denied four claims worth \$22K.</li> </ul> <p>Our review of documentation and discussion with the Transit indicated that while most of these claims were not submitted due to oversight issues and in some of the cases, delays were beyond transit control.</p> <p>Due to the SIR (Self-Insured Retention) condition of one million dollars, City of Brampton has not experienced any losses as lack of payments from the insured, however; the terms and conditions of our insurance policy requires the timely reporting of all claims regardless of claim amounts.</p> <p><b><u>Potential Exposure</u></b></p> <ul style="list-style-type: none"> <li>• Incomplete/inaccurate tracker and missing deadlines could potentially result in an incompliance to the insurance policy and subsequently may result in a loss.</li> </ul>				

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
13	<p><b><u>Annual budget and Monitoring Process</u></b></p> <p>Controls over budget preparation and monitoring process need to be strengthened.</p> <p>Yearly operating revenue budgets are prepared based on historic patterns, known information such as fixed contracts, and expected trends amongst other factors.</p> <p>For snack bar sales (GL 600860), Transit has entered into fixed monthly rental contract with vendor for annual value of \$48K before 2018. However, for both 2018 and 2019, only \$31K were budgeted instead of the contract value. Under budgeting has resulted into false positive variance at the year-end.</p> <p>In addition, for same contract, we noted that some of the monthly rentals (Value \$8K) were booked into the incorrect GL codes due to manual oversight.</p> <p>Our further discussion with process owners and review indicated that the approved 2020 budget was not entered in PeopleSoft at our review time mid-July 2020. In addition, Transit team enters the budget amounts manually for tracking purposes instead of system-generated report.</p> <p><b><u>Potential Exposure</u></b></p>	P3	<p>Basis for the budgeted figures will be thoroughly reviewed to ensure the accuracy for the complete budget.</p> <p>Actual expenses/revenues will be tracked and any unknown variances will be investigated at the month end.</p> <p>Transit will coordinate with Corporate Finance to ensure that budget is entered into the PeopleSoft on a timely basis.</p>	<p>Supervisor, Trns Acctg &amp; Emp Support Srvc</p> <p>Supervisor, Trns Acctg &amp; Emp Support Srvc</p> <p>Supervisor, Trns Acctg &amp; Emp Support Srvc</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
	<ul style="list-style-type: none"> <li>Incorrect budgeting base and booking may result into incorrect data and inefficient spend analysis.</li> <li>In absence of budgeted figures entered in PeopleSoft, budget-monitoring process cannot be efficient.</li> </ul>				
14	<p><b><u>Repair and Maintenance Process</u></b></p> <p>All maintenance checks required by the Ministry of Transportation of Ontario (MTO) guidelines are not appropriately marked in inspection sheets.</p> <p>As per MTO, Annual and semi-annual inspections are required to be performed for all active buses. The inspection guidelines are set by the MTO and national 11B safety code standards.</p> <p>During our review of ten annual inspection sheets, we noted that in four inspection sheets multiple checks under engine compartment, electrical, light and reflector, interior and equipment, axles and tires, air brake system were not marked as tested.</p> <p>We understand that some of the items not checked off were identified as defects and noted separately. However, due to incomplete checklist, we were not able to comment on the comprehensiveness of current documentation for inspection process.</p> <p><b><u>Potential Exposure</u></b></p>	P2	<p>Transit Management confirmed that a notice will be issued to mechanic staff at the next maintenance tool box meeting as a reminder that all inspection boxes and sign offs must be completed before a work order can be handed and accepted.</p> <p>Forepersons will be reminded of the expectations of not accepting any incomplete work orders or inspections sheets. They need to be fully completed and signed off by the inspecting mechanic.</p> <p>A stamp on the work order will be included that will provide a check list of items that must be completed before the work order and inspections sheets will be accepted by both the Forepersons and Mechanic.</p> <p>The Maintenance Supervisor will conduct monthly audits to ensure the work orders and inspection sheets are fully completed as required. The necessary steps will be taken to address any incomplete work orders.</p> <p>Once defects are found and corrected, evidence will be attached to the inspection sheets.</p>	Manager, Maintenance Transit/ Manager, Maintenance	Implemented

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
	Incomplete inspection sheets could potentially become a major finding during MTO audit and lead to further non-compliance consequences.				
15	<p><b><u>Attendance cards Mechanics and Stock Keepers</u></b></p> <p>The daily attendance records for Mechanics and Stock Keepers need be automated.</p> <p>During our visit to Sandalwood facility, we noted that our drivers use Electronic system to enter their arrival and departure. However, our mechanics and stock keepers are still using manual card systems. We noted that cards are placed in front of the supervisors' office, however; it is manual process.</p> <p><b>Potential Exposure:</b> There is a potential of making errors and signing for other employees. Manual reporting can create errors and extra work.</p>	P2	Management will deploy the same electronic system as per drivers This functionality is part of future work on the new city-wide Time and Attendance system and is scheduled to be implemented in 2021	Director, Transit	End of 2021
16	<p><b><u>Disposal Process</u></b></p> <p>Overall, we observed that Transit generally follows the asset disposal process outlined by the Purchasing department, including initiating the disposal process with proper approval, and engaging with the Purchasing Agent to perform disposal activities by finding the method that would yield best return.</p> <p>During our review of seven used buses marked for disposal, we noted the following:</p>	P3	<p>Transit (Maintenance) will obtain the summary from Purchasing after disposal has occurred. They will have their own file copy of approvals.</p> <p>Such summary information should be available from Purchasing as per their disposals SOP. This will also allow Transit to know how buses were ultimately disposed of.</p>	<p>Manager, Maintenance Transit</p> <p>Manager, Maintenance Transit</p>	<p>Implemented</p> <p>Implemented</p>

Ref #	Audit Findings	Finding Rating	Management Action Plan	Responsible Party	Targeted Completion Date
	<ul style="list-style-type: none"> <li>One disposal form with approval was not available from Transit;</li> <li>One final disposal information was not available from Purchasing;</li> <li>Follow up summaries were not provided by Purchasing to Transit for all samples. As per the Disposals SOP, Purchasing's role includes "To provide a follow-up summary to the user department if goods are sold or auctioned". Maintenance Manager had to obtain such information from Purchasing during the audit;</li> <li>As per requirement, the asset should also be removed from M5 to ensure accurate accounting of assets, however; we noted a time lag between when cheques were received and when M5 was updated (6 months to over a year). However, the financial impact is low due to the value of the buses that are at end of life cycle.</li> <li>As of Aug 19, 2020, IA was not able to obtain the Asset # from the disposal samples to trace to G/L to determine if the process to communicating disposals with Finance is effective. However, as noted above, financial impact of this is expected to be low since buses are sold for scrap value.</li> </ul>		Disposed assets will be immediately removed from M5 to maintain the accuracy and up to date information.		

**Other Observations:**

The following are minor observations identified during the review process as a service to management. Management is not required to provide action plans. Management may consider these as an improvement to the processes.

**#1 Approval for special rates for charter buses to be documented**

Transit rents out the charter buses at a pre-determined hourly rate. There are instances when the buses can be rented out at a special rate for customer incentive and/or to other government bodies. We recommend that when special rates are provided, they should be approved and documented.



Appendix 2 – Criteria for Evaluating Audit Findings	
Priority Rating	Description
Priority 1 (P1)	<p><b>One or more of the following conditions exist that require immediate attention of the Senior Leadership Team. Corrective actions by senior management must be implemented.</b></p> <ul style="list-style-type: none"> <li>• Financial impact of both actual and potential losses is material</li> <li>• Management's actions, or lack thereof, have resulted in the compromise of a key process or control, which requires immediate significant efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks. Failure by management to remedy such deficiencies on a timely basis will result in the City being exposed to immediate risk and/or financial loss</li> <li>• One more of the following conditions is true: i) management failed to identify key risks, ii) management failed to implement process and controls to mitigate key risks</li> <li>• Management's actions, or lack thereof, have resulted in a key initiative to be significantly impacted or delayed, and the financial support for such initiative will likely be compromised</li> <li>• Management failed to implement effective control environment or provide adequate oversight, resulting in a negative pervasive impact on the City or potential fraudulent acts by City staff</li> <li>• Fraud by management or staff, as defined by the Corporate Fraud Prevention Policy (Policy 2.14)</li> </ul>

<p><b>Priority 2 (P2)</b></p>	<p><b>One or more of the following conditions exist that require attention by senior management. Corrective actions by management should be implemented.</b></p> <ul style="list-style-type: none"> <li>• Financial impact of both actual and potential losses is significant</li> <li>• Management's actions, or lack thereof, may result in a key process or control to be compromised, which requires considerable efforts and/or resources (including time, financial commitments etc.) to mitigate associated risks</li> <li>• Management correctly identified key risks and have implemented processes and controls to mitigate such risks, however, one or more of the following is true: i) the processes and controls are not appropriate or adequate in design, ii) the processes and controls are not operating effectively on a consistent basis</li> <li>• Management's actions, or lack thereof, have impacted or delayed a key initiative, and the funding for such initiative may be compromised</li> <li>• Management failed to provide effective control environment or oversight on a consistent basis, resulting in a negative impact on the respective division, or other departments</li> <li>• Management failed to comply with Council-approved policies, by-laws, regulatory requirements, etc., which may result in penalties</li> <li>• Management failed to identify or remedy key control deficiencies that may impact the effectiveness of anti-fraud programs</li> </ul>
<p><b>(Priority 3) P3</b></p>	<p><b>One or more of the following conditions exist that require attention by management. Corrective actions by management should be implemented.</b></p> <ul style="list-style-type: none"> <li>• Financial impact of both actual and potential losses is insignificant</li> <li>• A non-key process or control, if compromised, may require some efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks</li> <li>• Processes and controls to mitigate risks are in place; however, opportunities exist to further enhance the effectiveness or efficiency of such processes and controls. Management oversight exists to ensure key processes and controls are operating effectively</li> <li>• Minimal risk of non-compliance to Council-approved policies, by-laws, regulatory requirements, etc.</li> <li>• Low impact to the City's strategic or key initiative</li> <li>• Low impact to the City's operations</li> </ul>

**Transit Operations Audit – Audit Report**  
**Private & Confidential**  
**Appendix 3: Criteria for Audit Report Rating**

Rating	Description
<b>Effective</b>	<ul style="list-style-type: none"> <li>• Key controls are adequately and appropriately designed, and are operating effectively to support objectives and manage risks</li> <li>• Audit recommendations resulted in only minor enhancements to the effectiveness or efficiency of controls and processes</li> <li>• One or more Priority 3 Findings</li> <li>• Insignificant cumulative financial impact when all audit findings have been considered</li> <li>• Audit findings would not be subject to a follow-up by Internal Audit</li> </ul>
<b>Improvement Required</b>	<ul style="list-style-type: none"> <li>• A few control weaknesses were noted that require enhancements to better support objectives and manage risks</li> <li>• One Priority 2 and Priority 3 findings</li> <li>• Priority 3 findings only where the cumulative financial impact is significant</li> <li>• Corrective action and oversight by management is needed</li> <li>• Audit findings could be subject to a follow-up by Internal Audit</li> </ul>
<b>Significant Improvement Required</b>	<ul style="list-style-type: none"> <li>• Numerous key control weaknesses were noted that require significant improvement to support objectives and manage risks</li> <li>• One Priority 1 finding or more than one Priority 2 findings and Priority 3 findings</li> <li>• Priority 2 and 3 findings only where the cumulative financial impact is significant</li> <li>• Corrective action and oversight by senior management is required</li> <li>• Audit findings will be subject to a follow-up by Internal Audit</li> </ul>
<b>Immediate Action Required</b>	<ul style="list-style-type: none"> <li>• Key controls are either not adequately or appropriately designed and are not operating effectively, or there is an absence of appropriate key controls to support objectives and manage risks</li> <li>• More than one Priority 1 finding, combined with Priority 2 or 3 findings</li> <li>• Regardless of the type of findings, the cumulative financial impact is material to the City's financial statements.</li> <li>• Confirmed fraud by management or staff</li> <li>• Corrective action and oversight by Senior Leadership Team is required immediately</li> <li>• Follow-up of such audit findings by Internal Audit would be of high priority</li> </ul>



**Date:** 2020-11-12

**Subject:** KPMG Audit Plan for the 2020 Fiscal Year

**Contact:** Maja Kuzmanov, Accounting Manager

**Report Number:** Corporate Support Services-2020-404

**Recommendations:**

1. That the report from Maja Kuzmanov, Accounting Manager, Finance, Corporate Services dated November 12, 2020 to Audit Committee meeting of November 24, 2020 re: **"KPMG Audit Plan for the 2020 Fiscal Year"**, be received and
2. That the Audit Planning Report for the Year Ending December 31<sup>st</sup>, 2020, prepared by KPMG LLP, Chartered Accountants (KPMG LLP) to the Audit Committee, be received.

**Overview:**

- **Section 296 of the Ontario *Municipal Act, 2001* requires the appointment of an auditor licensed under the Public Accounting Act, 2004.**
- **The City's Auditor, KPMG LLP, will be performing the statutory audit of The Corporation of the City of Brampton and its Local Boards/Committees, including the City of Brampton Public Library Board and the Downtown Brampton BIA for the fiscal year ended December 31<sup>st</sup>, 2020.**
- **The City's Auditor, KPMG LLP, have prepared the attached Audit Planning Report for the Audit Committee's information.**
- **Representatives from KPMG LLP, will be making a presentation at the Audit Committee.**

**Background:**

The *Ontario Municipal Act, 2001* states that:

- 296 (1) *A municipality shall appoint an auditor licensed under the Public Accounting Act, 2004 who is responsible for,*

- (a) *annually auditing the accounts and transactions of the municipality and its local boards and expressing an opinion on the financial statements of these bodies based on the audit*

KPMG LLP, were first appointed as the auditors for the Corporation of The City of Brampton and its Local Boards/Committees in 1990. The role of the external auditors is to audit the consolidated financial statements for the Corporation of The City of Brampton and express an independent opinion on these financial statements. The audit is conducted in accordance with Canadian Generally Accepted Auditing Standards. These standards require that the auditors plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation of the overall financial statement presentation.

In addition, the auditors are also responsible for advising management and City Council of any internal accounting practices, financial controls or operational issues that may be identified during their audit of the City and its Local Boards.

The consolidated financial statements are the responsibility of the management of the City of Brampton and are prepared in accordance with the accounting principles and disclosure requirements of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

### **Current Situation:**

KPMG LLP, have prepared the attached Audit Planning Report to the Audit Committee. The Audit Planning Report provides information to the Audit Committee relating to the activities of KPMG LLP in discharging their audit responsibilities for the fiscal year ending December 31<sup>st</sup>, 2020.

There are no new PSAB standards applicable for the current year ending December 31, 2020.

KPMG LLP will present an overview of the audit which will include audit risks, fraud risk, key milestones and deliverables as well as communication requirements to the Audit Committee. The areas the audit will focus on are: cash and investments, revenue and deferred revenue recognition, tangible capital assets, employee future benefits and other estimates and management override of controls.

Audit Planning Report specifically addresses COVID-19 impacts on the financial reporting, financial disclosure and the audit itself.

KPMG LLP is responsible for providing reasonable assurance that the City's consolidated financial statements as a whole are free from material misstatement. Materiality will be set at approximately 2.5% of total revenues or \$16.5 million (2019 - \$22 million). Decrease in materiality from 2019 to 2020 is due to lower revenues as a result of COVID-19. KPMG

LLP will report to the Audit Committee any corrected and uncorrected misstatements greater than \$0.8 million.

**Corporate Implications:**

There are no corporate implications resulting from this report.

**Strategic Plan:**

This report achieves the Strategic Plan priority of Good Government by ensuring financial accountability and compliance with statutory reporting requirements.

**Term of Council Priorities:**

This report fulfils the Council Priority of a Well-Run City through strict adherence to effective financial management policies and supports Brampton's 2040 Vision by ensuring sustainable financial operations.

**Conclusion:**

**KPMG** LLP will be performing the statutory audit of the City and its Local Boards and Committees including the City of Brampton Public Library Board and the Downtown Brampton BIA for the fiscal year ended December 31, 2020 in accordance with the Accepted Auditing Standards.

Authored by:

Reviewed by:

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Maja Kuzmanov, Manager, Accounting

---

Mark Medeiros, Interim Treasurer

Approved by:

Submitted by:

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Michael Davidson, Commissioner,  
Corporate Support Services

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David Barrick, Chief Administrative Officer

**Attachments:**

Appendix: KPMG Audit Planning Report for the year ended December 31<sup>st</sup>, 2020

# The Corporation of The City of Brampton

Audit Planning Report  
for the year ending  
December 31, 2020

*KPMG LLP*

Licensed Public Accountants

October 30, 2020

[kpmg.ca/audit](https://kpmg.ca/audit)





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# KPMG contacts

The contacts at KPMG in connection with this report are:



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# Executive summary

The purpose of this Audit Planning Report is to assist you, as a member of the Audit Committee, in your review of the planning of our audit of the consolidated financial statements ("financial statements") of The Corporation of The City of Brampton (the "City") as at and for the year ending December 31, 2020.

## COVID-19

COVID-19 is undoubtedly going to have an impact to the City's business and the City's financial reporting. See page 2.

## Group audit Scope

Our group audit consists of:

- 1 full scope audit
  - The Corporation of The City of Brampton (non-consolidated)
- 3 non-significant components, however these components are required to obtain statutory financial statements under the Municipal act.
  - The Brampton Public Library Board – ("Library")
  - Downtown Brampton Business Improvement Area ("DBBIA")
  - The Corporation of City of Brampton Trust Funds ("Trust Funds")

## Audit and business risks

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

See pages page 6 to 8.

## Audit materiality

Materiality has been determined based on consolidated revenue. We have determined group materiality to be \$16,472,000 (2019 - \$21,833,000).

Materiality will be set at lower thresholds where necessary to meet local subsidiary financial statement audit requirements. See page 9.

## Proposed fees

The Engagement letter includes the fees for all professional services provided to the City and related entities. A copy of the engagement letter can be obtained from management.

## Quality control

We have a robust and consistent system of quality control. We provide complete transparency on all services and follow Audit Committee approved protocols.

## Current developments and audit trends

Please refer to pages 14 to 18 for relevant accounting and auditing changes relevant to the City and relevant audit trends.

This Audit Planning Report should not be used for any other purpose or by anyone other than the Audit Committee, City Council, and Management of the City. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Planning Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



# COVID-19: Embedding Resilience & Readiness

COVID-19 is undoubtedly going to have an impact to the City's business and the City's financial reporting.

Potential financial reporting implications	Potential implications on internal control over financial reporting
<p>Refer to our <a href="#">COVID-19 Financial Reporting</a> site:</p> <ul style="list-style-type: none"> <li>• Events or conditions that cast significant doubt regarding going concern</li> <li>• Impairment of non-financial assets (e.g., Tangible Capital Assets) <ul style="list-style-type: none"> <li>◦ Analysis of triggering events and impairment testing (e.g. cash flow forecasts and assumptions)</li> </ul> </li> <li>• Impairment of financial assets including investments</li> <li>• Fair value measurements</li> <li>• Employee benefits and employer obligations</li> <li>• Provisions and contingencies</li> <li>• Impact on funding received from federal and provincial government</li> <li>• Impact on programs and operations managed by the City</li> <li>• Impact on capital projects managed by the City</li> <li>• Subsequent events</li> </ul>	<ul style="list-style-type: none"> <li>• Reconsideration of financial reporting risks, including fraud risks, given possible new pressures on management or new opportunities to commit fraud given changes in Internal Control over Financial Reporting (ICFR) or to bias estimates.</li> <li>• New or enhanced controls to respond to new financial reporting risks or elimination of on-site preventative controls.</li> <li>• Consideration of changes in the individuals performing the control (e.g. re-directing the performance to head-office).</li> <li>• Consideration of the appropriateness of segregation of duties because of a potential reduction in the number of employees.</li> <li>• Revisions may be needed for planned internal audit programs.</li> <li>• Reconsideration of ICFR impacts related to broader IT access given remote work arrangements.</li> </ul>
Potential financial reporting implications related to disclosures	Other potential considerations
<p>Refer to our <a href="#">COVID-19 Financial Reporting</a> site:</p> <ul style="list-style-type: none"> <li>• Events and conditions that cast significant doubt regarding going concern</li> <li>• New accounting policies</li> <li>• Significant management judgements in applying accounting policies</li> <li>• Major sources of estimation uncertainty that have significant risk</li> <li>• Liquidity risks</li> </ul>	<ul style="list-style-type: none"> <li>• Reporting material changes in ICFR</li> <li>• Cyber security risks (e.g., wire transfers schemes)</li> <li>• Possible delay in filing annual financial statements</li> </ul>

# COVID-19: Embedding Resilience & Readiness (Continued)

Similarly, COVID-19 is a major consideration in the development of our audit plan for your 2020 financial statements

## Potential audit implications

Planning and risk assessment:

- Understanding the expected impact on the relevant metrics for determining materiality (including the benchmark) and the implication of that in identifying the risks of material misstatement, responding to such risks and evaluating uncorrected misstatements.
- Understanding the potential financial reporting impacts, the changes in City's environment, and changes in the City's system of internal control, and their impact on our:
  - identified and assessed risks of material misstatement.
  - audit strategy, including the involvement of others (e.g., our internal specialists or use of internal audit's work or internal audit in a direct assistance capacity) and the nature, timing and extent of tests of controls and substantive procedures.

Executing:

- Remote auditing:
    - Increased use of other collaboration tools (Teams, Skype etc.) and the need for written management acknowledgement for their use
    - Potential increased use of electronic evidence (and understanding the City's processes to provide such evidence to us)
  - Timing of procedures may need to change:
    - Tests of controls may need to be deferred (to allow the City to put new or revised controls in operation and to be able to re-perform such controls).
-

# Audit risks

Professional requirements	Why is it significant?
Fraud risk from revenue recognition related to revenue transactions	This is a presumed fraud risk. The primary risk of fraudulent revenue recognition resides with manual journal entries for revenue transactions not in the normal course of business as well management's calculation of the deferred revenue.
Our audit approach	
Our audit methodology incorporates the required procedures in professional standards to address this risk.	
Our audit approach will consist of evaluating the design and implementation of selected relevant controls. We test journal entries that meet specific criteria. This criteria is designed during the planning phase of the audit and is based on areas and accounts that are susceptible to manipulation through management override and we design search filters that allow us to identify any unusual journal entries.	
As part of our audit approach to address the inherent risk of error in revenue recognition, KPMG substantively tests revenues (both recognized and amounts held as deferred at year end) and recalculates management's calculation of deferred revenue – obligatory reserve funds through auditing management's methodology.	

# Audit risks (continued)

Professional requirements	Why is it significant?
Fraud risk from management override of controls.	This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.
Our audit approach	
<p>As the risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions.</p> <p>We will take a risk-based approach tailored to the City when designing substantive procedures and selecting specific transactions for testing. We will continue to make use of technology to extract our risk-based sample from the entire population of journal entries. We will consider the potential impact of COVID-19 when identifying areas which may be subject to additional risk whether due to fraud or error in this regard.</p>	

# Audit risks (continued)

Other areas of focus	Why are we focusing here?
Cash and Investments	Material account balances and disclosures. Valuation of investments and concerns over decline in fair value due to COVID-19 global pandemic.
Tangible Capital Assets	Risk of material misstatement related to existence and accuracy of tangible capital assets and accuracy of timing of revenue recognition, particularly related to funds intended for tangible capital assets additions, deferred capital contribution, and contributed assets.

## Our audit approach

### Cash and Investments

#### COVID-19 Implications:

- To assess if there is a loss in value of a portfolio investment and whether such a decline is other than temporary. Perform audit procedures to assess whether a write-down is necessary.

#### Substantive audit procedures:

- Review year-end bank and investment reconciliations and substantive testing and significant reconciling items.
- Substantive test of details over additions and disposals of investments.
- Obtain confirmations from third parties.
- Review of financial statement note disclosure in accordance with Public Sector Accounting Standards (PSAS).

### Tangible Capital Assets

- Substantive test of details over additions (including contributed tangible capital assets) and disposals.
- Review amortization policy and useful life for the tangible capital assets and assess if the useful life as an estimate is reasonable.
- Review construction in progress to ensure amounts are properly transferred to correct capital asset classes and amortization expense commences on a timely basis.
- Review of financial statement note disclosure in accordance with Public Sector Accounting Standards (PSAS).
- We will agree fair value estimates of contributed tangible capital assets to supporting third party documentation or estimated by the City, we will perform procedures to address the new CAS 540, Auditing Accounting Estimates and Related Disclosure requirements related to valuation estimates.
- We will also perform required procedures to assess the potential risks with respect to impairment of assets as a result of the ongoing global pandemic. Based on the City's nature, it is not expected that this will be a significant risk during the audit.



# Audit risks (continued)

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

## Our audit approach

### Taxes Receivable and Taxation Revenue:

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

### Deferred Revenue – obligatory reserve funds:

- Update our understanding of the activities over the initiation, authorization, processing, recording and reporting.
- Review the City-prepared calculation of deferred revenue balance with the responsible individuals and perform audit procedures on a sample basis. As part of our testing we ensure recognition of revenue is based on project spending in accordance with the purpose of the obligatory reserve.
- Inquire with management if there were any breaks given to the developers due to COVID-19 and perform audit procedures on the financial reporting impact if relevant.

### Employee Future Benefits:

- Reliance on actuaries (management specialist) engaged by the City; update our understanding of the activities over the quality of information used, the assumptions made, the qualifications, competence and objectivity of the preparer of the estimate, and the historical accuracy of the estimates.
- Communicate with actuaries and test data provided to the actuaries, if applicable.
- Perform audit procedures on method, data and, assumptions used by actuary and management in calculation of the EFB liability for reasonableness.
- Review financial statement disclosures in accordance with PSAS.
- We will perform audit procedures to address the new CAS 540, Auditing Accounting Estimates and related disclosure requirements related to the estimates involved.

# Audit risks (continued)

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

## Our audit approach

### Expenses – Salaries and Benefits:

- Perform control testing over payroll cycle.
- Vouch a sample of employees' salary and benefit expense to payroll information.

### Accounts Payable, Accrued Liabilities, and Expenses:

- Search for unrecorded liabilities.
- Examine significant accrued liabilities for existence, accuracy and completeness.
- Perform control testing over purchase cycle.
- Perform substantive test of details on selected non-payroll expenditures.

### Contingencies:

- Perform a detailed review of Council meeting minutes.
- Direct communication with the internal legal counsel (and external as necessary) to ensure that all significant contingent liabilities are appropriately disclosed and/or recorded.
- Significant findings review with management during planning and completion stage of the audit engagement.

# Audit risks (continued)

Other areas of focus	Why are we focusing here?
Consolidation (City and all components)	To ensure the completeness and accuracy of the consolidated information.
Trust funds	Statutory audit requirement.
Sinking fund debt	Material account balance and disclosures.

## Our audit approach

### Consolidation (City and all components):

- Review process of consolidation and perform audit procedures on the consolidation process including the Library and DBBIA.
- Audit the eliminating entries as prepared by management for accuracy and completeness.

### Trust funds:

- Direct confirmation of cash and investment year-end balances with relevant third parties.
- Vouching of selected revenue and expense transactions to source documents.
- To assess if there is a loss in value of a portfolio investment and whether such a decline is other than temporary. Perform audit procedures to assess whether a write-down is necessary.

### Sinking fund debt:

- Obtain and review any amendments to the agreement for the sinking fund debt issued by the City.
- Audit procedures related to the accounting treatment and the related disclosures in accordance with PSAS.
- Confirmation of the sinking fund debt as at year-end.
- Audit of the assessment of the sinking fund's ability to achieve planned growth i.e. sufficient funds to pay the debt in the future.

# Materiality

Materiality determination	Comments	Group amount
<b>Materiality</b>	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements.  The corresponding amount for the prior year's audit was \$21,833,000	\$16,472,000
<b>Benchmark</b>	Based on an estimate of consolidated revenue for the year.  This benchmark is consistent with the prior year.	\$658.9 million
<b>% of Benchmark</b>	The corresponding percentage for the prior year's audit was 2.5%	2.5%
<b>Audit Misstatement Posting Threshold (AMPT)</b>	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the previous year's audit was \$1,091,650.	\$823,000

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

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

## We will report to the Audit Committee:



Corrected audit misstatements



Uncorrected audit misstatements

## Component Statutory Audit Materiality:

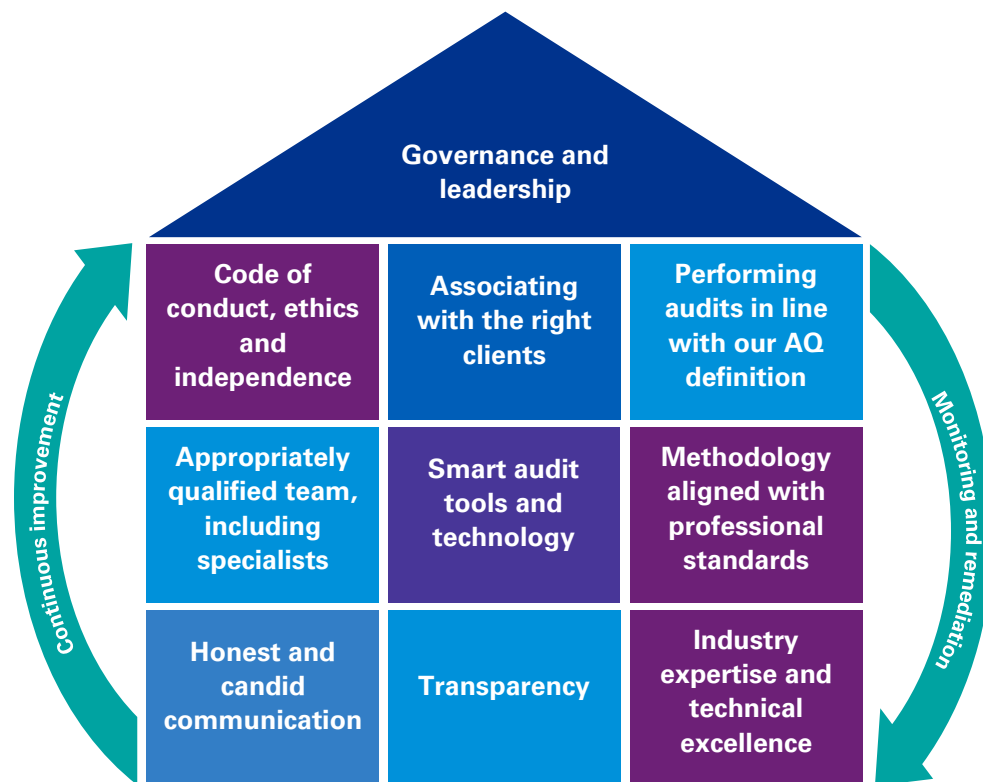
<b>Library</b> (2019 - \$565,000)	\$597,000
<b>DBBIA</b> (2019 - \$13,620)	\$15,000
<b>Trust funds</b> (2019 - \$589,000)	\$639,000

# Audit Quality Matters



# Audit quality and transparency

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards. Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the key elements of our quality control system.



Audit Quality Framework

## What do we mean by audit quality?

Audit Quality (AQ) is at the core of everything we do at KPMG.

We believe that it is not just about reaching the right opinion, but how we reach that opinion.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls, and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.

Our AQ Framework summarises how we deliver AQ. Visit our [Audit Quality Resources page](#) for more information including access to our [Audit Quality and Transparency report](#).

# Key deliverables and milestones



# Current Developments - Accounting

Title	Details	Link
<b>Public Sector Update – connection series</b>	Public Sector Accounting Standards are evolving – Get a comprehensive update on the latest developments from our PSAB professionals. Learn about current changes to the standards, active projects and exposure drafts, and other items.	Contact your KPMG team representative to sign up for these webinars. <a href="#">Public Sector Minute Link</a>

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

Standard	Summary and implications
<b>Asset Retirement Obligations</b>  (applicable for the year ending December 31, 2023 with option for retrospective application effective December 31, 2022)	<ul style="list-style-type: none"> <li>– A new standard, PS3280 <i>Asset Retirement Obligations</i>, has been approved that is effective for fiscal years beginning on or after April 1, 2022 (the City's 2023 year-end).</li> <li>– The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs would be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area.</li> <li>– The ARO standard would require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets ("TCA"). The amount of the initial liability would be added to the historical cost of the asset and amortized over its useful life.</li> <li>– As a result of the new standard, the public sector entity would have to:                             <ul style="list-style-type: none"> <li>o consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;</li> <li>o carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements;</li> <li>o begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.</li> </ul> </li> </ul>
<b>Revenue</b>	<ul style="list-style-type: none"> <li>– A new standard, PS3400 <i>Revenues</i>, has been approved that is effective for fiscal years beginning on or after April 1, 2023 (the City's 2024 year-end).</li> <li>– The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.</li> </ul>



Standard	Summary and implications
	<ul style="list-style-type: none"> <li>– The standard notes that in the case of revenues arising from an exchange, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.</li> <li>– The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.</li> </ul>
<b>Financial Instruments and Foreign Currency Translation</b>	<ul style="list-style-type: none"> <li>– New accounting standards, PS3450 <i>Financial Instruments</i>, PS2601 <i>Foreign Currency Translation</i>, PS1201 <i>Financial Statement Presentation</i> and PS3041 <i>Portfolio Investments</i> have been approved by PSAB and are effective for years commencing on or after April 1, 2022 (the City's 2023 year-end).</li> <li>– Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the government's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable.</li> <li>– Hedge accounting is not permitted.</li> <li>– A new statement, the Statement of Re-measurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations.</li> <li>– Based on stakeholder feedback received, PSAB is considering certain scope amendments to PS 3450 <i>Financial Instruments</i>. An exposure draft with the amendments is expected to be issued in 2020. The proposed amendments are expected to include the accounting treatment of bond repurchases, scope exclusions for certain activities by the federal government, and improvements to the transitional provisions.</li> </ul>
<b>International Strategy</b>	<ul style="list-style-type: none"> <li>– At its May 5, 2020 meeting, PSAB voted to adapt IPSAS principles when developing future standards. This decision has been years in the making, including extensive consultation with Canadian stakeholders, as part of the Board's International Strategy project.</li> <li>– In PSAB's 2017-2021 Strategic Plan, the Board signaled its intent to review its approach towards International Public Accounting Standards (IPSAS). IPSAS has matured over the last decade and are a high quality and comprehensive set of accounting standards. With other jurisdictions comparable to Canada adopting or adapting IPSAS, PSAB has decided it was time to review Canada's current approach towards IPSAS.</li> <li>– While PSAB has made the decision, more planning and work will be done to support stakeholders in this change. The Board itself will also continue to work on implementing this change into its due process, which will require further discussion and work in the coming year. A basis for conclusions was issued in September 2020 that outlines how PSAB came to this important decision.</li> <li>– The implementation date of this decision is April 1, 2021 (the City's 2022 year-end). All standards projects initiated on or after this date will use the principles of IPSAS in the development of the PSAS standard, if a similar IPSAS already exists. In cases where similar IPSAS does not exist, PSAS standards would continue to be developed as they are today.</li> </ul>
<b>Employee Future Benefit Obligation</b>	<ul style="list-style-type: none"> <li>– PSAB has initiated a review of sections PS3250 <i>Retirement Benefits</i> and PS3255 <i>Post-Employment Benefits, Compensated Absences and Termination Benefits</i>. Given the complexity of issues involved and potential implications of any changes that may arise from this review, the project will be undertaken in phases. Phase I will address specific issues related to measurement of employment benefits. Phase II will address accounting for plans with risk sharing features, multi-employer defined benefit plans and sick leave benefits.</li> <li>– Three Invitations to Comment were issued and have closed. The first Invitation to Comment sought guidance on whether the deferral provisions in existing public sector standards remain appropriate and justified and the appropriateness of accounting for various components of changes in the value of the accrued benefit obligation and plan assets. The second Invitation to Comment sought guidance</li> </ul>

Standard	Summary and implications
	<p>on the present value measurement of accrued benefit obligations. A third Invitation to Comment sought guidance on non-traditional pension plans.</p> <ul style="list-style-type: none"> <li>– The ultimate objective of this project is to issue a new employment benefits section to replace existing guidance.</li> </ul>
<b>Public Private Partnerships (“P3”)</b>	<ul style="list-style-type: none"> <li>– A taskforce was established in 2016 as a result of increasing use of public private partnerships for the delivery of services and provision of assets. The objective is to develop a public sector accounting standard specific to public private partnerships.</li> <li>– A Statement of Principles (“SOP”) was issued in August 2017 which proposes new requirements for recognizing, measuring and classifying infrastructure procured through a public private partnership. An Exposure Draft of the new standard was issued in November 2019.</li> <li>– Public private partnership infrastructure is recognized as an asset when the public sector entity acquires control of the infrastructure. A liability is recognized when the asset is recognized and may be a financial liability, a performance obligation or a combination of both.</li> <li>– An infrastructure asset acquired in an exchange transaction is recorded at cost which is equal to its fair value on the measurement date. The liability is measured at the cost of the infrastructure asset initially.</li> <li>– Subsequently, the infrastructure asset is amortized in a rational and systematic manner over its useful life.</li> <li>– Subsequent measurement of the financial liability would reflect the payments made by the public sector entity to settle the liability as well as the finance charge passed on to the public sector entity through the public private partnership agreement.</li> <li>– Subsequent measurement of the performance obligation: revenues are recognized and the liability reduced in accordance with the substance of the public private partnership agreement.</li> </ul>
<b>Concepts Underlying Financial Performance</b>	<ul style="list-style-type: none"> <li>– PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards.</li> <li>– PSAB is developing two exposure drafts (one for a revised conceptual framework and one for a revised reporting model) with two accompanying basis for conclusions documents and resulting consequential amendments. PSAB expects to issue the two exposure drafts and accompanying documents in 2020.</li> <li>– A Statement of Concepts (“SOC”) and Statement of Principles (“SOP”) were issued for comment in May 2018.</li> <li>– The SOC proposes a revised, ten-chapter conceptual framework intended to replace PS 1000 <i>Financial Statement Concepts</i> and PS 1100 <i>Financial Statement Objectives</i>. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced.</li> <li>– The SOP includes principles intended to replace PS 1201 <i>Financial Statement Presentation</i>. The SOP proposes: <ul style="list-style-type: none"> <li>o Removal of the net debt indicator, except for on the statement of net debt where it would be calculated exclusive of financial assets and liabilities that are externally restricted and/or not available to settle the liabilities or financial assets.</li> <li>o Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).</li> <li>o Restructuring the statement of financial position to present non-financial assets before liabilities.</li> <li>o Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities).</li> </ul> </li> </ul>

Standard	Summary and implications
	<ul style="list-style-type: none"> <li>○ A new provision whereby an entity can use an amended budget in certain circumstances.</li> <li>— Inclusion of disclosures related to risks and uncertainties that could affect the entity's financial position.</li> </ul>
<b>2019 – 2020 Annual Improvements</b>	<ul style="list-style-type: none"> <li>— PSAB adopted an annual improvements process to make minor improvements to the CPA Canada Public Sector Accounting (PSA) Handbook or Statements of Recommended Practices (other guidance).</li> <li>— The annual improvement process: <ul style="list-style-type: none"> <li>○ clarifies standards or other guidance; or</li> <li>○ corrects relatively minor unintended consequences, conflicts or oversights.</li> </ul> </li> <li>— Major or narrow scope amendments to the standards or other guidance are not included in the annual improvement process.</li> </ul>
<b>Purchased Intangibles</b>	<ul style="list-style-type: none"> <li>— As a result of stakeholder feedback received, PSAB will revisit validity of the prohibition against recognizing purchased intangibles in public sector financial statements and will consider a narrow scope amendment.</li> <li>— Input received in response to the 2018 conceptual framework and reporting model documents for comment supported PSAB relocating the recognition prohibitions from the conceptual framework to the standards level. This is a bigger issued for Indigenous governments. PSAB is looking into the question of why purchased intangibles acquired through an exchange transaction cannot be recognized in public sector financial statements as they are measurable at the price in the transaction.</li> </ul>

# New audit standards

New auditing standards that are effective for the current year are as follows:

Standard	Key observations	Reference
<b>CAS 540, Auditing Accounting Estimates and Related Disclosures</b>  <b>Effective for audits of Entities with year-ends on or after December 15, 2020</b>	<b>Expected impact on the audit:</b> <ul style="list-style-type: none"> <li>— more emphasis on the need for exercising professional skepticism</li> <li>— more granular risk assessment to address each of the components in an estimate (method, data, assumptions)</li> <li>— more granular audit response designed to specifically address each of the components in an estimate (method, data, assumptions)</li> <li>— more focus on how we respond to levels of estimation uncertainty</li> <li>— more emphasis on auditing disclosures related to accounting estimates</li> <li>— more detailed written representations required from management</li> </ul>	<a href="#">CPA Canada Client Briefing</a>

# Appendices

## Content

Appendix 1: Required communications

Appendix 2: Key Audit Matters

Appendix 3: Use of technology in the audit

Appendix 4: KPMG's audit approach and methodology

Appendix 5: Lean in Audit™

Appendix 6: Audit and Assurance Insights



# Appendix 1: Required communications

Report	Engagement terms
Audit planning report – as attached	<p>Unless you inform us otherwise, we understand that you acknowledge and agree to the terms of the engagement set out in the engagement letter.</p> <p>A copy of the engagement letter and any subsequent amendments has been provided to the management.</p>
Reports to the Audit Committee	Representations of management
At the completion of the audit, we will provide our findings report to the Audit Committee.	We will obtain from management certain representations at the completion of the audit.
Matters pertaining to independence	Internal control deficiencies
At the completion of our audit, we will confirm our independence to the Audit Committee.	Other control deficiencies, identified during the audit, that do not rise to the level of a significant deficiency will be communicated to management.
Required inquiries	Audit Quality
Professional standards require that during the planning of our audit we obtain your views on the identification and assessment of risks of material misstatement, whether due to fraud or error, your oversight over such risk assessment, identification of suspected, alleged or actual fraudulent behaviour, and any significant unusual transactions during the period.	<p>The following links are external audit quality reports for referral by the Audit Committee:</p> <ul style="list-style-type: none"> <li>• <a href="#">CPAB Audit Quality Insights Report: 2019 Annual Inspections Results</a></li> <li>• <a href="#">CPAB Audit Quality Insights Report: 2019 Fall Inspection Results &gt;</a></li> </ul>



# Appendix 2: Use of technology in the audit

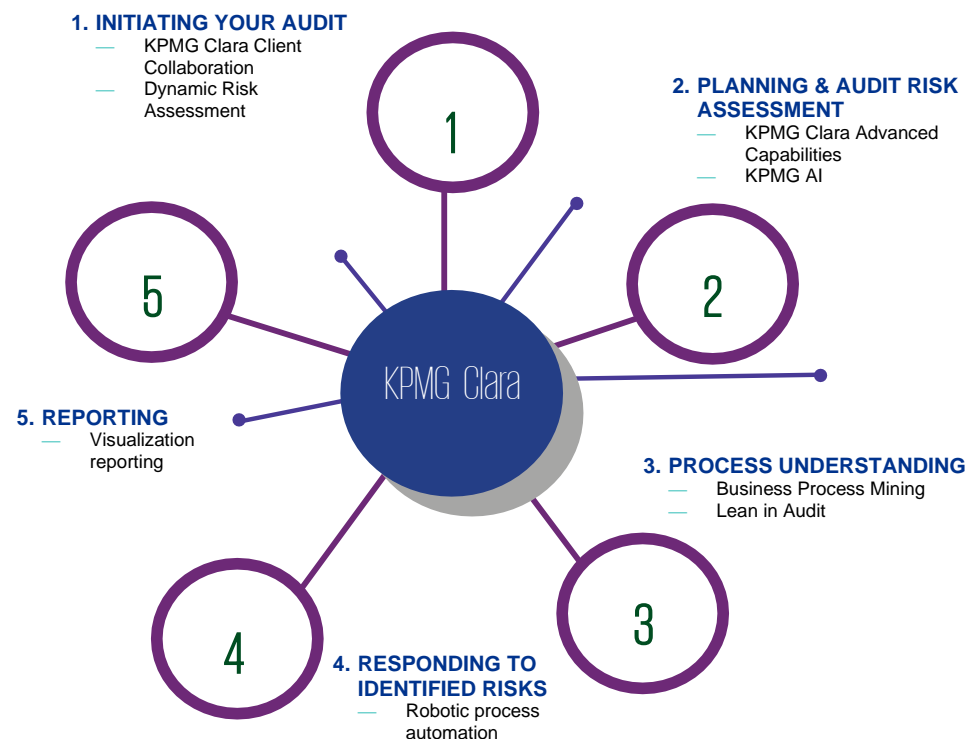
Clara is KPMG's integrated, smart global audit platform that allows our teams globally to work simultaneously on audit documentation while sharing real time information. Clara also leverages advanced technology in the execution of various audit procedures, for overall risk assessment and for performing substantive audit procedures over 100% of selected transactions through the use of robotic process automation (KPMG "Bots"). KPMG's use of technology provides for:

1. a **higher quality audit** – looking at 100% of selected data
2. a **more efficient audit** as we are focussed on the transactions that are considered higher risk and
3. an audit that provides **insights into your business** through the use of technology in your audit with our extensive industry knowledge.

We are also actively piloting Artificial Intelligence ("AI") tools which will be used in future audits.

We will be discussing the use and implementation of these tools with the Entity over the course of our audit. These tools will be adopted and applied to the Entity's audit using a phased approach over the coming years. We will keep you apprised of our progress on a continuous basis.

## Our five-phased audit approach



# Appendix 2: Use of technology in the audit (continued)

## Phase 1: Initiating your audit

To ensure that you are involved in every step of the audit, management and the Audit Committee will have access to **KPMG Clara Client Collaboration (KCCC)**. KCCC is our secure audit platform and a one-stop shop through which we plan, execute and manage the audit. KCCC supports seamless collaboration between our audit team and your finance team, including exchange of information and access to the real time reporting you need in one central location, reducing the impact to your people in coordinating and overseeing the audit. It ensures there are no surprises during the execution of the audit and the ability to efficiently track issues and outstanding matters with a single click.

Want to know more about [KCCC](#)?

## Phase 2: Planning and audit risk assessment

**KPMG Clara Advanced Capabilities** incorporates structured rules, specific to your industry, to review your financial data and assist the engagement team in obtaining a more thorough understanding of the business processes and underlying flow transactions. Our advanced analytic tool enables a more precise risk assessment and development of a tailored audit approach.

Want to know more about [Clara Advanced Capabilities](#)?

## Phase 3: Process understanding

As part of understanding your processes, KPMG uses our **Lean in Audit methodology**. Our Lean in Audit methodology allows our team to work collaboratively with you to gain an in-depth understanding of selected end-to-end processes.

We also incorporate **Business Process Mining (BPM)** technology. BPM provides immediate visualization of how 100% of your transactions are processed to complement your process narratives & flow charts. A deeper understanding of your processes enhances our understanding of your business. This will ensure our team is focused on auditing the right risks & leveraging your team's resources efficiently. It helps us identify inefficiencies or manual workarounds in a process and highlights where the process is under stress.

Want to know more about [Business Process Mining](#)?

## Phase 4: Responding to identified risks

Our **journal entry analysis** tool assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.



# Appendix 3: KPMG's audit approach and methodology

## Collaboration in the audit

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

## Issue identification

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

## Data-driven risk assessment

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



## Deep industry insights

Bringing intelligence and clarity to complex issues, regulations and standards.

## Analysis of complete populations

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

## Reporting

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

# Appendix 4: Lean in Audit™

## An innovative approach leading to enhanced value and quality

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

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

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

We will be discussing the use of this tool with management over the coming months to understand management's assessment and appetite for the use of this tool for current and future periods.

## How it works

Lean in Audit employs three key Lean techniques:

### 1. Lean training

Provide basic Lean training and equip our teams with a new Lean mindset to improve quality, value and productivity.

### 2. Interactive workshops

Perform interactive workshops to conduct walkthroughs of selected financial processes providing end-to-end transparency and understanding of process and control quality and effectiveness.

### 3. Insight reporting

Quick and pragmatic insight report including immediate quick win actions and prioritized opportunities to realize benefit.

# Appendix 5: Audit and Assurance Insights

Our latest thinking on the issues that matter most to Audit Committees, Boards and Management.

Featured insight	Summary	Reference
<b>Audit &amp; Assurance Insights</b>	Curated thought leadership, research and insights from subject matter experts across KPMG in Canada	<a href="#"><u>Learn more</u></a>
<b>The business implications of coronavirus (COVID 19)</b>	Resources to help you understand your exposure to COVID-19, and more importantly, position your business to be resilient in the face of this and the next global threat.	<a href="#"><u>Learn more</u></a>
	Financial reporting and audit considerations: The impact of COVID-19 on financial reporting and audit processes.	<a href="#"><u>Learn more</u></a>
<b>Accelerate 2019/20</b>	Perspective on the key issues driving the Audit Committee agenda	<a href="#"><u>Learn more</u></a>
<b>Momentum</b>	A quarterly Canadian newsletter which provides a snapshot of KPMG's latest thought leadership, audit and assurance insights and information on upcoming and past audit events – keeping management and board members abreast on current issues and emerging challenges within audit.	<a href="#"><u>Sign-up now</u></a>
<b>Current Developments</b>	Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US	<a href="#"><u>Learn more</u></a>
<b>Board Leadership Centre</b>	Leading insights to help board members maximize boardroom opportunities.	<a href="#"><u>Learn more</u></a>
<b>Return to the Workplace</b>	As all levels of government begin to take steps toward re-opening the country and restarting our economy, planning for the return to a physical workplace is quickly becoming a top priority for many organizations. With the guidelines for the pandemic continuing to evolve daily, there are many considerations, stages and factors employers need to assess in order to properly develop a robust action plan which can ensure the health and safety of their workforce.	<a href="#"><u>Link to report</u></a>



[kpmg.ca/audit](https://kpmg.ca/audit)



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### Management Action Plan Status Details as of September 30, 2020- Closed/In Camera Audit Reports

Legend			
In progress		Completed	↑
Completed		In progress- deferred/delayed	↓
Deferred		In progress- on time	→
In progress- delayed			
Expected completion			

Please refer to appendix 2 of the Cyber Security Assessment report for a detailed list of the assessment's findings.

Audit and Finding/Issue	Q3 2020	Q4 2020	2021
<b>Corporate Security</b> Physical Access Controls (employee access)	 ↓		<b>x</b>
<b>Contracted Cleaning</b> Inadequate Management Oversight		<b>x</b>	<b>x</b>
<b>Contracted Cleaning</b> Contract Terms & Conditions	 →	→	
<b>Data Centre- Transit</b> Cooling Measures		<b>x</b>	<b>x</b>
<b>HR Benefits (Phase 1)</b> Validation of Practitioners for STD	 ↓	→	
<b>HR Benefits (Phase 1)</b> Validation of Practitioners for STD	 ↓	→	
<b>Asset Management</b> Ineffective automated asset discovery and management tool	 →		<b>x</b>
<b>Asset Management</b> Key person dependency risk	 →	→	
<b>Asset Management</b> Access to the staging and storage area by unauthorized individuals		<b>x</b>	<b>x</b>
<b>Asset Management</b> Lack of oversight over electronic card access and physical door keys	 →		<b>x</b>
<b>Segregation of Duties</b>		<b>x</b>	<b>x</b>

Inconsistent user access and identity management processes			
<b>Segregation of Duties</b> Overreliance on Active Directory to prevent terminated users from accessing applications		<b>x</b>	<b>x</b>
<b>Segregation of Duties</b> Employees suspended in April on a temporary basis still retained their access to sub-systems in addition to only network and email			<b>x</b>

**IMPROVEMENT REQUIRED**

Date: September 22, 2020

Subject: **Segregation of Duties**

Contact: Sunny Kalkat, Director, Internal Audit, 905 874 2215,  
satinder.kalkat@brampton.ca

**Executive Summary:**

Internal audit completed an independent review of Segregation of Duties (SoD) operating and application controls to ensure that incompatible functions are properly segregated and that access is granted on a minimum use basis.

The concept of SoD is to separate the major responsibilities of authorizing, custody, recording and verification of transactions and assets. No one employee should have responsibility to complete two or more of these major responsibilities. SoD is applied between single individuals (individual-level SoD) and between functions or organizational units (unit-level SoD). SoD is further managed through application controls.

The systems included in the assessment were: PeopleSoft Financials, PeopleSoft Human Capital Management (HCM), AssetWorks M5 for fleet asset management, and, Hansen for linear asset management.

The background, scope and objective are explained in **Appendix 1**.

**Our review identified the following strengths in the processes:**

Unit-Level SoD	Reviewed the separation of incompatible functions at the business unit level, for example accounts payable and purchasing. No issues noted.
Individual-Level SoD	Reviewed the separation of incompatible job functions and supporting application access controls. For example authorized users may create purchase requisitions, but purchase orders are created by authorized purchasing roles. No issues noted.


IT Development and Production SoD	Reviewed the separation of incompatible IT developer roles and IT production support roles. No issues noted.
IT Support Roles SoD	Reviewed the separation of incompatible IT system administrator (SA) roles and database administrator (DBA) roles. No issues noted.
IT DBA SoD	Reviewed the separation of DBA development and production support roles. SoD is not in place due to the size of the team however, appropriate compensating controls are in place.
Transactional SoD	Reviewed accounts payable transactions, payroll adjustments and employee record changes to ensure they were performed by authorized personnel. No issues noted.

An updated employee onboarding process has been implemented. The implementation of an updated off-boarding process is on hold due to COVID-19.

### Special Note

The employees suspended in April 2020 as a COVID-19 cost cutting measure were allowed to retain access to the City's network and electronic mail. This was done out of respect for the employees with the view that the employees are still members of the organization who will be returning to work as soon as possible. This resulted in higher instances of unauthorized accounts, and we have adjusted our counts accordingly.

### Internal Audit discussed the following improvement opportunities with Digital Innovation and Information Technology:

Process	Finding	Rating
User Access and Identity Management	Employees suspended in April on temporary basis retained their access to sub-systems in addition to network and email access.	

These issues and associated management action plans are explained in more detail in **Appendix 1**. These issues are rated as per criteria explained in **Appendix 2**.



**Conclusion:**

**Improvement is required** to ensure that access to information systems and applications are removed upon termination of employment or reviewed upon change of employment within the City. Improvement is also required to user access management reviews of the operational asset management systems.

In Opportunities for Improvement, **Appendix 1**, deactivating obsolete roles and associated user accounts would create efficiencies with fewer user accounts and roles to manage, and further decrease the risk of misuse. Standardizing system user naming conventions and security practices in application development road maps would set development towards consistent application security management.

We have rated inherent risk as high due to complexity of our operations and the dollar value of assets under management by various departments.

Overall report rating is determined as criteria for audit report rating explained in **Appendix 3**.

We thank all participants for their support and efforts during the audit.

Authored by:

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**Appendices:**

Appendix 1: Segregation of Duties

Appendix 2: Criteria for Audit Report Rating

Appendix 3: Criteria for Evaluating Audit Findings

## Segregation of Duties – Audit Report

<b>Audit Name</b>	Segregation of Duties (SoD)		
<b>Sponsor(s)</b>	Chief Information Officer, Digital Innovation and IT, Corporate Services		
<b>Business Unit</b>	Digital Innovation and IT, Human Resources, Finance, Public Works, Transit, Community Services	<b>Date Issued</b>	September 22, 2020

### 1.0 Executive Summary

#### Audit Rating and Conclusion

##### *Overall findings*

Improvement is required to ensure that access to information systems and information processing facilities are removed upon termination of employment or reviewed upon change of employment. Improvement is also required to user access management reviews of the operational asset management systems.

The inherent risk was evaluated as high due to the complexity of our operations and the dollar value of assets under management by various departments.

##### *During our review, some of the strengths we found in the processes are as follows:*

- SoD are in place at the organizational level and supporting applications. For example, the tasks of creating purchase requisitions, generating purchase orders, and accounts payable are segregated between the operating departments, Purchasing and Finance, respectively. Similarly, Human Resources maintain employee records but payroll is managed in Finance.
- SoD are in place at the individual level. Role-based access control is in place at the individual level.
- User access management reviews are in place for the financial and human resources management systems.
- Digital Innovation and IT (DIIT) and Human Resources (HR) have implemented an on-boarding process. The completion of the off-boarding process is delayed due to COVID-19.

Internal Audit discussed the following improvement opportunities with Digital Innovation and Information Technology:

- Standardized system user naming conventions and security practices must be included in application development roadmaps.

- Deactivation of obsolete roles and associated users would decrease the risk of misuse. Reducing the number of roles and active accounts will also enhance the user access review.
- There are only three database administrators, and we acknowledge that segregation of development and production database administrator roles is not practical. We are satisfied with the compensating controls are in place, including:
  - Database logs are aggregated by a contracted third party, who monitors the database logs and notifies CoB IT security of any changes or suspicious activity,
  - Database administrators logon to systems using named user accounts,
  - Database changes are all subject to the change management process and management oversight,
  - There is segregation between system administrators, developers and database administrators roles, and,
  - Third-party database access is supervised by the CoB database administrators when it is needed, and third-party access is revoked after completion of the work.

These issues and associated management action plans are explained in more detail within the body of this report. Other less significant items, as well as more details related to observed issues, were also provided and discussed with management involved in the related activities.

## Appendix 1

### Background, Objectives, and Scope

Our audit objective was to independently review segregation of duties (SoD) operating and application controls to ensure that incompatible functions are properly segregated, and that access is granted on a minimum use basis.

In general, the principal incompatible duties to be segregated are:

- Custody of assets,
- Authorization or approval of related transactions affecting those assets,
- Recording or reporting of related transactions, and,
- Verification or control duty.

During the review, we utilized data analytics to understand and assess user access information as well as financial information.

The period under review was June 1, 2019, to May 31, 2020.

The scope of our review included:

- Review SoD policies, procedures and application controls.
- Interviews with key personnel.
- Review of controls intended to prevent and detect:
  - Non-compliance with the policies and procedures, and,
  - Processing of unauthorized transactions.
- Adequacy and effectiveness of related management oversight in case incompatible functions are improperly segregated.
- Change management of SoD roles and assignment.

## Appendix 1

### 2.0 Detailed Audit Findings and Proposed Management Actions

Rec #	Audit Findings	Finding Rating	Proposed Management Action	Responsible Party	Completion Date
1	Employees suspended in April on a temporary basis still retained their access to sub-systems in addition to only network and email.	P3	Management will assess appropriate contingency plans that will prevent or monitor for inappropriate access through the period of the suspension.	Manager Client Services, HR. Manager Client Services, IT.	September 30, 2020

### 3.0 Other Opportunities for Improvement (Minor issues)

Rec #	Audit Comments
1	<p><b>Obsolete roles</b></p> <p>There are still active roles in place in the financial system that are no longer needed due to the fact that the business functionality has been moved to sub-systems. We noted over 350 user accounts could be deactivated in the PeopleSoft Financials. For example, the P-Card functionality has been moved from PeopleSoft to the BMO platform. The majority of these users no longer need to be active in PeopleSoft.</p>
2	<p><b>Standardizing system user naming conventions and security practices</b></p> <p>Assessing user-access across multiple systems highlighted challenges to enterprise-level user account management. We observed the following:</p> <ul style="list-style-type: none"> <li>Naming conventions vary from system to system, and more so in older systems.</li> <li>Existing system capability to automate user access management reporting varies from system to system. Older systems were not designed to support this approach.</li> </ul>

## Appendix 1

Rec #	Audit Comments
	<ul style="list-style-type: none"><li>• A user access report provided for the chosen systems was not readily available for M5. This may create a barrier to implementing automated and efficient user access management reviews.</li></ul> <p>Management should consider integrating standardized user naming conventions and standardize security administration practices in each system's development map.</p>

Appendix 2 – Criteria for Evaluating Audit Findings	
Priority Rating	Description
Priority 1 (P1)	<p><b>One or more of the following conditions exist that require immediate attention of the Senior Leadership Team. Corrective actions by senior management must be implemented.</b></p> <ul style="list-style-type: none"> <li>• Financial impact of both actual and potential losses is material</li> <li>• Management's actions, or lack thereof, have resulted in the compromise of a key process or control, which requires immediate significant efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks. Failure by management to remedy such deficiencies on a timely basis will result in the City being exposed to immediate risk and/or financial loss</li> <li>• One more of the following conditions is true: i) management failed to identify key risks, ii) management failed to implement process and controls to mitigate key risks</li> <li>• Management's actions, or lack thereof, have resulted in a key initiative to be significantly impacted or delayed, and the financial support for such initiative will likely be compromised</li> <li>• Management failed to implement effective control environment or provide adequate oversight, resulting in a negative pervasive impact on the City or potential fraudulent acts by City staff</li> <li>• Fraud by management or staff, as defined by the Corporate Fraud Prevention Policy (Policy 2.14)</li> </ul>

<b>Priority 2 (P2)</b>	<p><b>One or more of the following conditions exist that require attention by senior management. Corrective actions by management should be implemented.</b></p> <ul style="list-style-type: none"> <li>• Financial impact of both actual and potential losses is significant</li> <li>• Management's actions, or lack thereof, may result in a key process or control to be compromised, which requires considerable efforts and/or resources (including time, financial commitments etc.) to mitigate associated risks</li> <li>• Management correctly identified key risks and have implemented processes and controls to mitigate such risks, however, one or more of the following is true: i) the processes and controls are not appropriate or adequate in design, ii) the processes and controls are not operating effectively on a consistent basis</li> <li>• Management's actions, or lack thereof, have impacted or delayed a key initiative, and the funding for such initiative may be compromised</li> <li>• Management failed to provide effective control environment or oversight on a consistent basis, resulting in a negative impact on the respective division, or other departments</li> <li>• Management failed to comply with Council-approved policies, by-laws, regulatory requirements, etc., which may result in penalties</li> <li>• Management failed to identify or remedy key control deficiencies that may impact the effectiveness of anti-fraud programs</li> </ul>
<b>(Priority 3) P3</b>	<p><b>One or more of the following conditions exist that require attention by management. Corrective actions by management should be implemented.</b></p> <ul style="list-style-type: none"> <li>• Financial impact of both actual and potential losses is insignificant</li> <li>• A non-key process or control, if compromised, may require some efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks</li> <li>• Processes and controls to mitigate risks are in place; however, opportunities exist to further enhance the effectiveness or efficiency of such processes and controls. Management oversight exists to ensure key processes and controls are operating effectively</li> <li>• Minimal risk of non-compliance to Council-approved policies, by-laws, regulatory requirements, etc.</li> <li>• Low impact to the City's strategic or key initiative</li> <li>• Low impact to the City's operations</li> </ul>



**Segregation of Duties – Audit Report**  
**Private & Confidential**  
**Appendix 3: Criteria for Audit Report Rating**

Rating	Description
<b>Effective</b>	<ul style="list-style-type: none"> <li>• Key controls are adequately and appropriately designed, and are operating effectively to support objectives and manage risks</li> <li>• Audit recommendations resulted in only minor enhancements to the effectiveness or efficiency of controls and processes</li> <li>• One or more Priority 3 Findings</li> <li>• Insignificant cumulative financial impact when all audit findings have been considered</li> <li>• Audit findings would not be subject to a follow-up by Internal Audit</li> </ul>
<b>Improvement Required</b>	<ul style="list-style-type: none"> <li>• A few control weaknesses were noted that require enhancements to better support objectives and manage risks</li> <li>• One Priority 2 and Priority 3 findings</li> <li>• Priority 3 findings only where the cumulative financial impact is significant</li> <li>• Corrective action and oversight by management is needed</li> <li>• Audit findings could be subject to a follow-up by Internal Audit</li> </ul>
<b>Significant Improvement Required</b>	<ul style="list-style-type: none"> <li>• Numerous key control weaknesses were noted that require significant improvement to support objectives and manage risks</li> <li>• One Priority 1 finding or more than one Priority 2 findings and Priority 3 findings</li> <li>• Priority 2 and 3 findings only where the cumulative financial impact is significant</li> <li>• Corrective action and oversight by senior management is required</li> <li>• Audit findings will be subject to a follow-up by Internal Audit</li> </ul>
<b>Immediate Action Required</b>	<ul style="list-style-type: none"> <li>• Key controls are either not adequately or appropriately designed and are not operating effectively, or there is an absence of appropriate key controls to support objectives and manage risks</li> <li>• More than one Priority 1 finding, combined with Priority 2 or 3 findings</li> <li>• Regardless of the type of findings, the cumulative financial impact is material to the City's financial statements.</li> <li>• Confirmed fraud by management or staff</li> <li>• Corrective action and oversight by Senior Leadership Team is required immediately</li> <li>• Follow-up of such audit findings by Internal Audit would be of high priority</li> </ul>