



Agenda
Audit Committee

The Corporation of the City of Brampton

Date: December 7, 2021
Time: 2:00 p.m.
Location: Council Chambers - 4th Floor, City Hall - Webex Electronic Meeting
Members: Regional Councillor M. Medeiros (Chair)
Regional Councillor R. Santos (Vice-Chair)
Regional Councillor M. Palleschi
Regional Councillor G. Dhillon
City Councillor J. Bowman
City Councillor D. Whillans
City Councillor H. Singh
Iqbal Ali
Rishi Jain
Abid Zaman

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 only. Public attendance at meetings is currently restricted. It is strongly recommended that all persons continue to observe meetings online or participate remotely.

For inquiries about this agenda, or to make arrangements for accessibility accommodations for persons attending (some advance notice may be required), please contact: Tammi Jackson, Legislative Coordinator, Telephone 905.874.3829, TTY 905.874.2130
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

The following items listed with a caret (^) are considered to be routine and non-controversial by the Committee and will be approved at this time. There will be no separate discussion of any of these items unless a Committee Member requests it, in which case the item will not be consented to and will be considered in the normal sequence of the agenda.

(X.X)

5. Presentations\Delegations

- 5.1. Presentation by Maja Kuzmanov, Manager, Accounting Services and Maria Khoushnood, Partner, KPMG, re: KPMG Audit Planning Report for the Year Ending December 31, 2021

See Item 7.1

To be received.

6. Reports - Internal Audit

- 6.1. Staff report re: Corporate Fraud Prevention Hotline Update– Q3 2021

To be received.

- 6.2. Staff report re: Deferral of Realty Services Audit

To be received.

- 6.3. Staff report re: Emergency Expenses Audit

To be received.

- 6.4. Staff report re: Internal Audit Risk Assessment and Development of an Audit Universe

To be received.

- 6.5. Staff report re: The Fraud Hotline Expansion to Brampton Residents

To be received.

- 6.6. Staff report re: Status of Management Action Plans (MAP) – September 30, 2021

To be received.

- 6.7. Staff report re: Vendor Performance Management Audit

To be received.

7. Reports - Finance

- 7.1. Staff report re: KPMG Audit Plan for the 2021 Fiscal Year

See Item 5.1

To be received.

8. Other/New Business

9. Question Period

10. Public Question Period

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

11. Closed Session

12. Adjournment

Next Scheduled Meeting - February 8, 2022 at 9:30 a.m.

Date: 2021-11-24

Subject: KPMG Audit Planning Report for the Year Ending December 31, 2021

Contact: Maja Kuzmanov, Manager, Accounting Services
maja.kuzmanov@brampton.ca 905-874-2259

Maria Khoushnood, Partner, KPMG 416-228-7082
mkhoushnood@kpmg.ca

Report Number: Corporate Support Services-2021-1270

Recommendations:

That the presentation by Maja Kuzmanov, Manager, Accounting Services, and Maria Khoushnood, Partner, KPMG, re: **KPMG Audit Planning Report for the Year Ending December 31, 2021**, to the Audit Committee Meeting of December 7, 2021, be received.

The Corporation of The City of Brampton

Audit Planning Report
for the year ending
December 31, 2021

KPMG LLP

Licensed Public Accountants
Prepared on November 11, 2021

kpmg.ca/audit

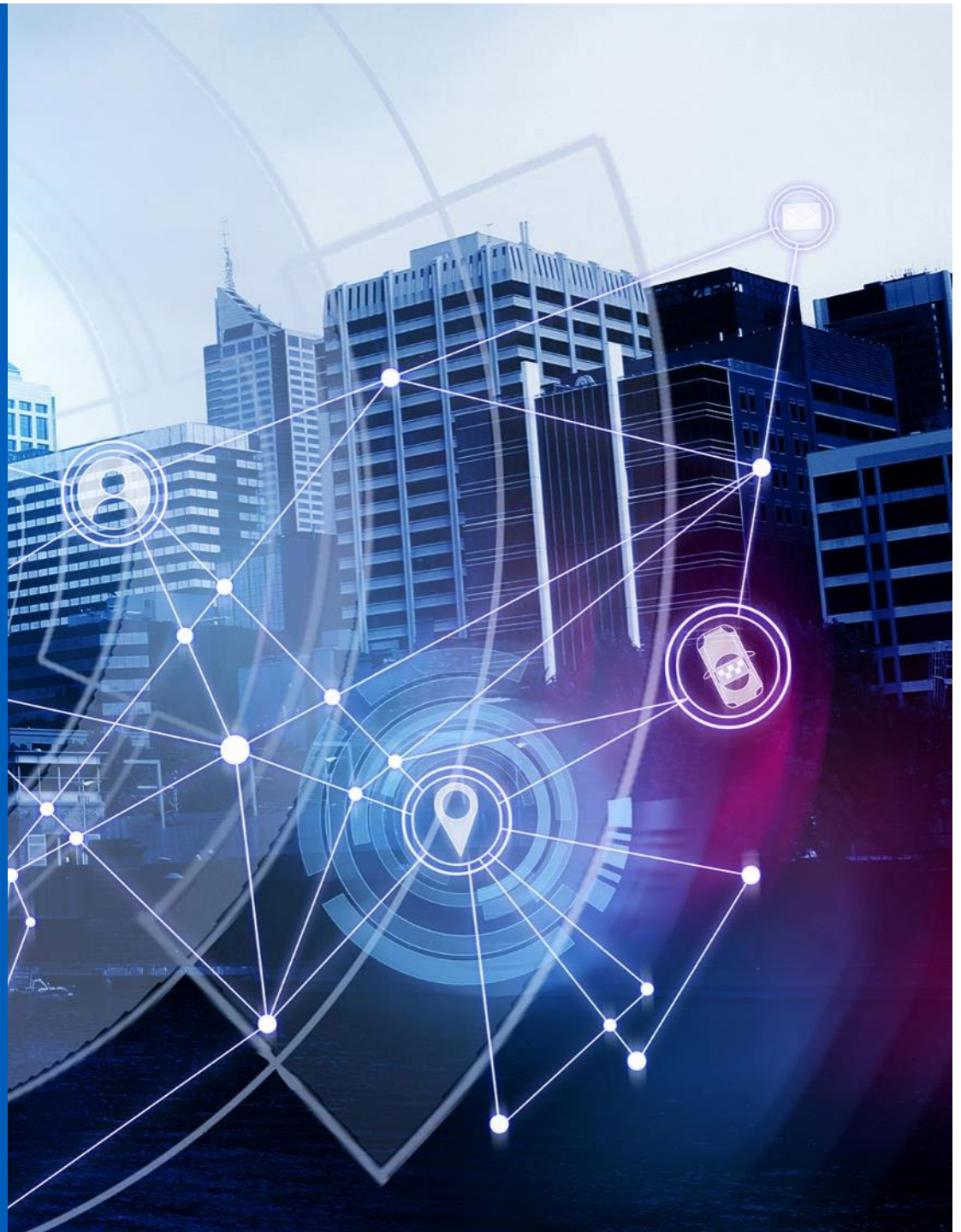


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KPMG contacts

The contacts at KPMG in connection with this report are:



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Our refreshed Values

What we believe



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, 2021.

Audit quality

Audit quality is of supreme importance to us. See pages 2-3 for how we deliver audit quality and how you can measure our audit quality.

Materiality

Materiality has been established by considering various metrics that are relevant to the users of the financial statements, including total revenue, total expenses, and net assets.

Materiality has been determined based on consolidated revenue. We have determined group materiality to be \$20,000,000 (2020 - \$20,180,000). See page 3.

Audit risks

Our audit is risk-focused. In planning our audit, we have identified areas of financial reporting where significant risks of material misstatement may arise. These include:

- Presumption of the risk of fraud involving improper revenue recognition
- Presumption of the risk of fraud resulting from management override of controls

See pages 4-5.

Other areas of focus are communicated on pages 6-9.

Group audit scope

Our audit consists of:

- 1 full scope audit of the significant component
 - 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")

Current developments and audit trends

Please refer to pages 11-15 and Appendix 4 for relevant accounting and/or auditing changes relevant to the City.

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.

This report to the audit committee is intended solely for the information and use of management, 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 report to the audit committee has to been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit Quality: How do we deliver audit quality?

Transparency report



Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contribute to its delivery.

‘Perform quality engagements’ sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

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**.



Doing the right thing. Always.

Materiality

Materiality is established to identify risks of material misstatements, to develop an appropriate audit response to such risks, and to 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.

Materiality determination	Comments	Group amount
Materiality	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 \$20,180,000.	\$20,000,000
Benchmark (the metric that is <u>most</u> relevant to the users)	Based on an estimate of consolidated revenue for the year. This benchmark is consistent with the prior year.	\$807 million
% of Benchmark	The corresponding percentage for the prior year's audit was 2.5%	2.5%
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the previous year's audit was \$1,009,000.	\$1,000,000

We will report to the Audit Committee:



Corrected audit misstatements



Uncorrected audit misstatements

Library (2020 - \$597,000)	\$531,000
DBBIA (2020 - \$15,000)	\$18,000
Trust funds (2020 - \$639,000)	\$657,000

Audit risks

Relevant factors affecting our risk assessment

Complexity



Related party transaction



Significant risk	Why is it significant?
Presumption of the risk of fraud involving improper revenue recognition	<p>Audit standards require us to assume there are generally pressures/incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition.</p> <p>We have considered the type and complexity of revenue transactions, and the perceived opportunities and incentives to fraudulently misstate revenue for the City and its subsidiaries.</p> <p>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 – obligatory reserve funds.</p>

Our audit approach
<p>Our audit methodology incorporates the required procedures in professional standards to address this risk.</p> <p>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.</p> <p>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.</p>

Audit risks (continued)

Significant risk	Why is it significant?
Presumption of the risk of fraud resulting from management override of controls.	Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Our audit approach

As this presumed risk of material misstatement due to fraud 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.

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.

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.
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

- 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 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 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 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 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 for the City to consolidate the Library and DBBIA.
- Audit the eliminating entries as prepared by management for accuracy and completeness.

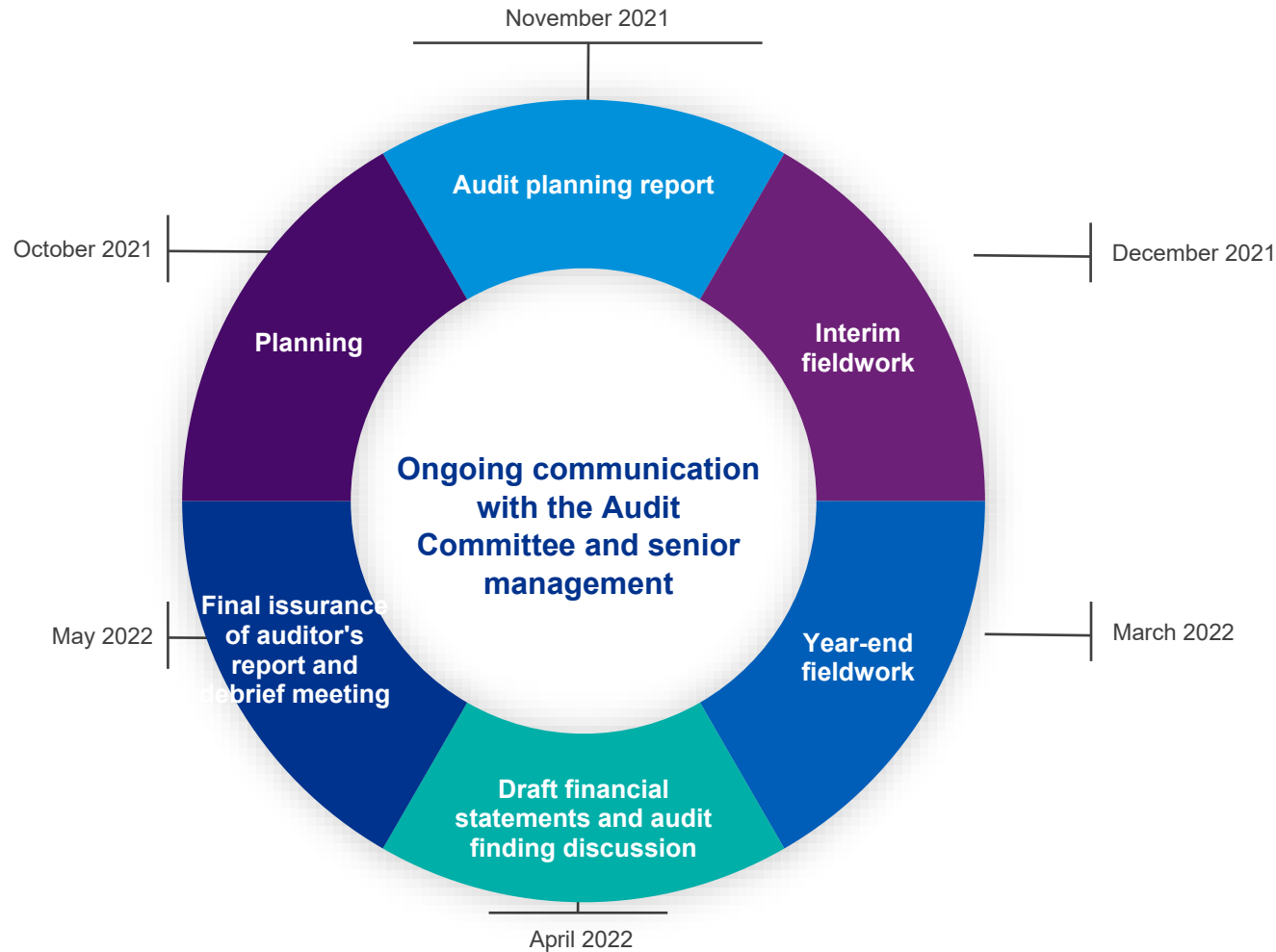
Trust funds:

- 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.

Key milestones and deliverables



Current developments

Title	Details	Link
Public Sector Update – connection series	Public Sector Accounting Standards are evolving – Get a comprehensive update on the latest developments from our Public Sector Accounting Board (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. Public Sector Minute Link

The following are upcoming changes that 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.

Public Sector Accounting Standards

Standard	Summary and implications
Asset Retirement Obligations	<ul style="list-style-type: none"> – The new standard is effective for fiscal years beginning on or after April 1, 2022 (City's fiscal year ending December 31, 2023). – 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 will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area. – The ARO standard will 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 will be added to the historical cost of the asset and amortized over its useful life. – As a result of the new standard, the public sector entity will have to: <ul style="list-style-type: none"> • Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • 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; • 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.

Financial Instruments and Foreign Currency Translation	<ul style="list-style-type: none"> – The 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> are effective for fiscal years commencing on or after April 1, 2022 (City's fiscal year ending December 31, 2023). The effective date was deferred by one year due to COVID-19. – 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 public sector entity's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. – Hedge accounting is not permitted. – A new statement, the Statement of Remeasurement 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. – In July 2020, PSAB approved federal government narrow-scope amendments to PS3450 <i>Financial Instruments</i> which will be included in the Handbook in the fall of 2020. Based on stakeholder feedback, PSAB is considering other narrow-scope amendments related to the presentation and foreign currency requirements in PS3450 <i>Financial Instruments</i>. The exposure drafts were released in summer 2020 with a 90-day comment period.
Revenue	<ul style="list-style-type: none"> – The new standard is effective for fiscal years beginning on or after April 1, 2023 (City's fiscal year ending December 31, 2024). The effective date was deferred by one year due to COVID-19. – The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. – The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. – 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.
Public Private Partnerships ("P3")	<ul style="list-style-type: none"> – PSAB has introduced Section PS3160, which includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. The standard has an effective date of April 1, 2023 and may be applied retroactively or prospectively. – The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends. – The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. – The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.

Purchased Intangibles

- In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles.
- PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized.
- The effective date is April 1, 2023 (City's fiscal year ending December 31, 2024) with early adoption permitted. Application may be retroactive or prospective.

Active Projects

Standard	Summary and implications
2022 – 2027 Strategic Plan	<ul style="list-style-type: none">– PSAB's Draft 2022 – 2027 Strategic Plan was issued for public comment in May 2021. Comments were requested for October 6, 2021.– The Strategic Plan sets out broad strategic objectives that help guide PSAB in achieving its public interest mandate over a multi-year period, and determining standard-setting priorities– The Strategic Plan emphasizes four key priorities:<ul style="list-style-type: none">– Develop relevant and high-quality accounting standards - Continue to develop relevant and high-quality accounting standards in line with PSAB's due process, including implementation of the international strategy (focused on adapting International Public Sector Accounting Standards for new standards) and completion of the Conceptual Framework and Reporting Model project.– Enhance and strengthen relationships with stakeholders - Includes increased engagement with Indigenous Governments and exploring the use of customized reporting.– Enhance and strengthen relationships with other standard setters – In addition to continued collaboration with other standard setters, this emphasizes strengthened relationship with the IPSASB.– Support forward-looking accounting and reporting initiatives – Supporting and encouraging ESG reporting, and consideration of the development of ESG reporting guidance for the Canadian public sector.
Employee Future Benefit Obligations	<ul style="list-style-type: none">– PSAB has initiated a review of sections PS3250 <i>Retirement Benefits</i> and PS3255 <i>Post-Employment Benefits, Compensated Absences and Termination Benefits</i>. In July 2020, PSAB approved a revised project plan.– PSAB intends to use principles from International Public Sector Accounting Standard 39 <i>Employee Benefits</i> as a starting point to develop the Canadian standard.– Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard

	<p>will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.</p> <ul style="list-style-type: none"> PSAB released an exposure draft on proposed section PS3251, Employee Benefits in July 2021. Comments to PSAB on the proposed section are due by November 25, 2021. Proposed Section PS 3251 would apply to fiscal years beginning on or after April 1, 2026 and should be applied retroactively. Earlier adoption is permitted. The proposed PS3251 would replace existing Section PS 3250 and Section PS 3255. This proposed section would result in organizations recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations.
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. PSAB released four exposure drafts in early 2021 for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. The Board is in the process of considering stakeholder comments received. PSAB is proposing 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. In addition, PSAB is proposing: <ul style="list-style-type: none"> Relocation of the net debt indicator to its own statement and the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. Separating liabilities into financial liabilities and non-financial liabilities. Restructuring the statement of financial position to present non-financial assets before liabilities. Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). 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), including a new component called “accumulated other”. A new provision whereby an entity can use an amended budget in certain circumstances. Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.
Government Not-for-Profit Strategy	<ul style="list-style-type: none"> PSAB is in the process of reviewing its strategy for government not-for-profit (“GNFP”) organizations. PSAB intends to understand GNFPs’ fiscal and regulatory environment, and stakeholders’ financial reporting needs. PSAB released a second consultation paper in January 2021 which summarizes the feedback received to the first consultation paper. It also describes options for the GNFP strategy and the decision-making criteria used to evaluate the options. PSAB recommends incorporating the PS4200 series with potential customizations into PSAS. This means reviewing the existing PS4200 series to determine if they should be retained and added to

PSAS. Incorporating the updated or amended PS4200 series standards in PSAS would make the guidance available to any public sector entity. Accounting and/or reporting customizations may be permitted if PSAB determines there are substantive and distinct accountabilities that warrant modification from PSAS.

- PSAB is in the process of considering stakeholder comments.
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Appendices

Content

Appendix 1: Required communications

Appendix 2: Use of technology in the audit

Appendix 3: Insights to enhance your business

Appendix 4: Audit and Assurance Insights

Appendix 1: Other required communications

Reports to the Audit Committee	Engagement terms
<p>Audit planning report – as attached.</p> <p>At the completion of the audit, we will provide our findings report to the Audit Committee.</p>	<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>
CPAB Communication Protocol	Representations of management
<p>The reports available through the following links were published by the Canadian Public Accountability Board to inform audit committees and other stakeholders about the results of recent quality inspections in Canada:</p> <ul style="list-style-type: none">• Audit Quality Insights Report: 2020 Annual Audit Quality Assessments• CPAB 2020 Annual Report - Regulatory Oversight in a Global Pandemic• CPAB Audit Quality Insights Report: 2020 Interim Inspection Results	<p>We will obtain from management certain representations at the completion of the audit.</p>
Matters pertaining to independence	Control deficiencies
<p>We will confirm our independence to the Audit Committee at the completion stage through our Audit Findings Report.</p>	<p>On a timely basis, identified significant deficiencies will be communicated to the City in writing. Other control deficiencies identified that do not rise to the level of a significant deficiency will be communicated to management.</p>

Appendix 2: Use of technology in the audit

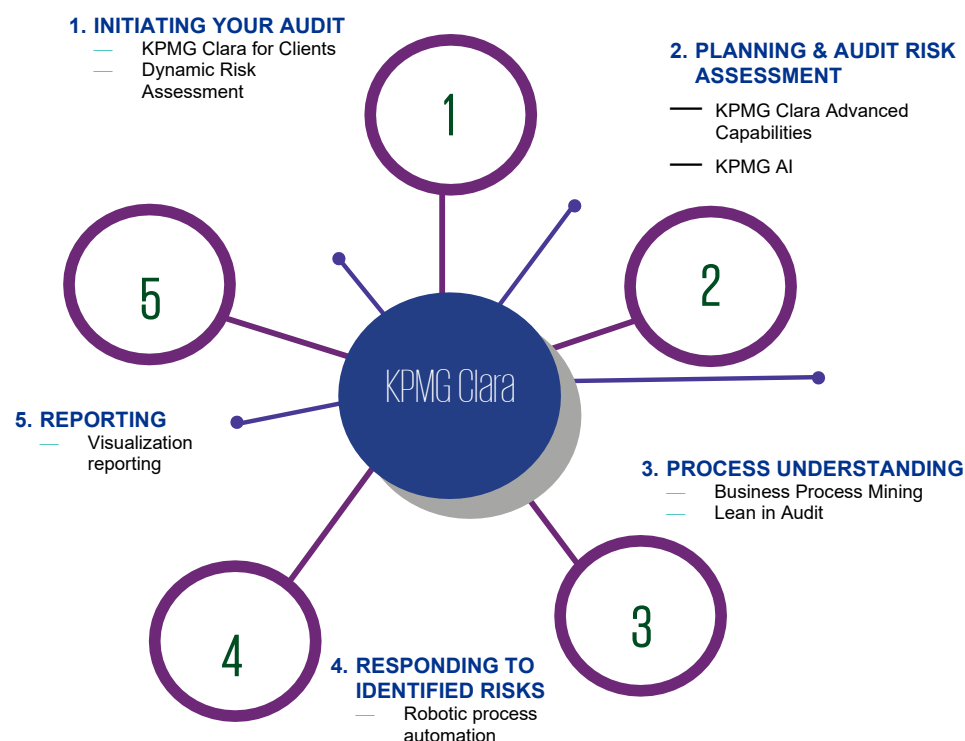
KPMG Clara is our integrated, smart global audit platform that allows our teams globally to work simultaneously on audit documentation while sharing real time information. KPMG Clara embeds analytics throughout all phases of the audit and allows us to visualise the flow of transactions through the system, identify risks in your financial data and perform more specific audit procedures. 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 and identifying areas to embed robotic process automation (“KPMG Bots”).

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 will have access to KPMG Clara for Clients (KCfC) . KCfC is our secure audit platform and a one-stop shop through which we plan, execute and manage the audit. KCfC 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.
Phase 2: Planning and audit risk assessment
KPMG Clara Advanced Capabilities – account analysis and planning analytics 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. <i>Want to know more about Clara Advanced Capabilities?</i>
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. <i>Want to know more about Business Process Mining?</i>
Phase 4: Responding to identified risks
Our KPMG advanced capabilities 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: Insights to enhance your business

We have the unique opportunity as your auditors to perform a deeper dive to better understand your business processes that are relevant to financial reporting.

An innovative audit approach to improve quality and value

Lean in Audit™ is KPMG's award-winning methodology that offers a new way of looking at processes and engaging people within your finance function and organization through the audit.

By incorporating Lean process analysis techniques into our audit procedures, we can enhance our understanding of your business processes that are relevant to financial reporting and provide you with new and pragmatic insights to improve your processes and controls.

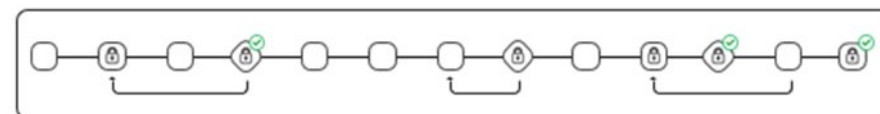
Clients like you have seen immediate benefits such as improved quality, reduced rework, shorter processing times and increased employee engagement.

We look forward to using this approach on your audit this year and will work with you to select the appropriate process.

How it works

Standard Audit

Typical process and how it's audited



Lean in Audit™

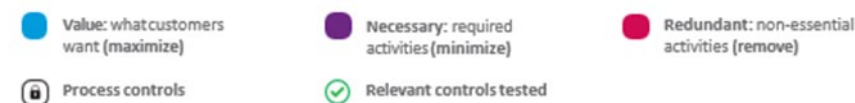
Applying a Lean lens to perform walkthroughs

Typically 95% + is considered redundant through a customer's lens



How Lean in Audit helps businesses improve processes

Make the process more streamlined and efficient for all



Appendix 4: Audit and Assurance Insights

Our latest thinking on the issues that matter most to audit committees, Boards and Management.

Consideration	Key observations	Links
Audit & Assurance Insights	Curated thought leadership, research and insights from subject matter experts across KPMG in Canada	<u>Learn more</u>
Momentum	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.	<u>Sign-up now</u>
COVID-19 Financial Reporting Resource Centre	Resource centre on the financial reporting impacts of coronavirus	<u>Learn more</u>
Return to the Workplace	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.	<u>Learn more</u>
Hybrid Workplace Guide	<p>In this eBook, you'll discover:</p> <p>The business case for building a hybrid workplace: What are the benefits of a hybrid work model? From employee attraction and retention to achieving enterprise-wide cost efficiencies.</p> <p>The flexibility imperative: How do you create a successful hybrid workplace model that balances employees and organizations' needs and wants? From remote work to safely supporting more face to face interactions.</p> <p>The building blocks of a hybrid workplace: We address human, organizational, regulatory, digital and physical considerations, and aspects such as how do you manage digital and cybersecurity when working from home in a hybrid workplace model? How can management lead by motivation and results for better employee engagement?</p> <p>Returning to the physical workplace: How do you ensure a safe workplace when employees return to the office space in a hybrid workplace model? How can you emphasize safety to instill confidence in your employees?</p> <p>Legal considerations of a hybrid work model: What could the tax implications be for companies if they implement a hybrid workplace model? Considerations to help you navigate the risks of hybrid work, including changing policies, approaches for new vs. existing employees, and security and privacy.</p>	<u>Learn more</u>

Board Leadership Centre	Leading insights to help board members maximize boardroom opportunities.	<u>Learn more</u>
Going digital, faster in Canada	<p>Pre-COVID-19, private and public organizations were moving towards a digital business model, travelling at varying speeds. But the pandemic forced a dramatic acceleration, both in the speed of change and the required investment to digitally transform.</p> <p>According to Canadian insights from KPMG's recent global survey, organizations are investing heavily in technology to address immediate concerns, ranging from falling revenue and interrupted supply chains to building longer-term competitiveness and operational resilience.</p>	<u>Learn more</u>
The ESG journey: Lessons from the boardroom and C-suite	To build on our work in ESG, strategy and the long view, the Board Leadership Center interviewed directors and officers of major corporations, including Morgan Stanley, Tyson Foods, Ford Motor, Microsoft, Mars, and Whirlpool, among others.	<u>Learn more</u>
ESG, strategy, and the long view	To help boards understand and shape the total impact of the company's strategy and operations externally—on the environment, the company's consumers and employees, the communities in which it operates, and other stakeholders—and internally, on the company's performance, this paper presents a five-part framework.	<u>Learn more</u>
Inclusion and diversity practices	Getting started on the inclusion and diversity journey. Unique inclusion and diversity considerations for boards.	<u>Learn more</u>



kpmg.ca/audit

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KPMG member firms around the world have 227,000 professionals in 146 countries.



Date: 2021-11-12

Subject: **Corporate Fraud Prevention Hotline Update– Q3 2021**

Contact: Richard Gervais, Acting Director, Internal Audit, 905-874-3836,
richard.gervais@brampton.ca

Report Number: CAO's Office-2021-1237

Recommendations:

1. That the report titled: **Corporate Fraud Prevention Hotline Update- Q3 2021**, to the Audit Committee Meeting of December 7, 2021, be received.

Overview:

- The Corporate Fraud Prevention Hotline (“Fraud Hotline”) was launched on July 4, 2016 for the use of City of Brampton employees;
- For the period July 1, 2021 to September 30, 2021, no new reports have been receive by the Fraud Hotline;
- Deloitte forwarded 39 reports from the Council authorized investigation that were out of scope of the review to Internal Audit for assessment; 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 of suspected fraud anonymously and confidentially 24 hours a day, seven days a week. Employees

can submit a report through a 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. The Fraud Hotline received no new reports between July 1- September 30, 2021.

39 reports were delegated to Internal Audit by Deloitte and have been uploaded to the City's Fraud reporting platform.

The following is a breakdown of the reports' composition:

- 20 reports were referred to the City of Brampton's Integrity Commissioner and marked as 'closed' on the City's reporting platform; and
- 19 reports are currently under review by Internal Audit.

The following is a high-level summary of the reports delegated to Internal Audit by Deloitte:

- Improper recruitment and hiring practices;
- The hiring of unqualified personnel; and
- Bullying and harassment.

Corporate Implications:

Financial Implications:

The 2021 operating budget approved by Council, includes amounts for a third-party to operate the Corporate Fraud Prevention Hotline.

Other Implications:

N/A

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. 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:

Sabrina Cook, Research Coordinator
Internal Audit

Reviewed by:

Richard Gervais, Acting Director
Internal Audit

Approved by:

Richard Gervais, Acting Director
Internal Audit

Submitted by:

David Barrick
Chief Administrative Officer

Date: 2021-10-27

Subject: Deferral of Realty Services Audit

Contact: Richard Gervais, Acting Director, Internal Audit, 905-874-3836,
richard.gervais@brampton.ca

Report Number: CAO's Office-2021-1236

Recommendations:

1. That the report titled: **Deferral of Realty Services Audit**, to the Audit Committee Meeting of December 7, 2021, be received.

Overview:

- As part of the initial approved 2020 Internal Audit work plan, Internal Audit was scheduled to perform a Realty Services audit in Q4 2020;
- This engagement was deferred to Q3 2021, due to resource constraints within the team and changing priorities due to COVID-19; and
- A decision was made to defer the Realty Services audit to Q3 2022 in order to ensure the audit provides value to management.

Background:

As a part of the approved 2020 Internal Audit work plan, Internal Audit was scheduled to perform a Realty Services audit in Q4 2020. The objective of the engagement was to review and assess divisional governance and oversight, controls around divisional budget preparation and monitoring, controls around the billing and lease payment process, divisional expenses, bank loan review, depreciation and disposal, and compliance with City by-laws and legislative requirements.

Current Situation:

An introductory meeting was held with Internal Audit and Realty Services in August 2021, with the objective to introduce the teams, and discuss the audit plan, audit scope, and timelines.

Realty Services management expressed the challenges the division has continued to face this year and noted that the reasons for deferring the audit in 2020 have not changed. The division continues to face resource limitations and a backlog due to the COVID-19 pandemic. As such, it was determined that conducting an audit would not provide an accurate depiction of Realty Services' controls and processes, and would place an additional burden on staff, and any audit findings would not necessarily add value to the division.

Realty Services and Internal Audit have agreed that deferring the audit to August 2022 will allow the division to return to 'normality', which will ensure that the audit engagement adds value to the division as they move forward with their work plan and other projects.

Management has indicated that work is currently underway to fill vacancies, update and revise SOPs, and complete files.

Please refer to appendix 1 for the memo issued to the Interim Senior Manager of Realty Services, advising of the audit's deferral.

Corporate Implications:

Financial Implications:

N/A

Other Implications:

N/A

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. Internal Audit has concluded that conducting an audit at this time will not add value to the Realty Services division. Internal Audit and Realty Services have agreed that the audit will be deferred to Q3 2022, when Realty Services will be in a better position to accommodate this engagement.

Authored by:

Sabrina Cook, Research Coordinator
Internal Audit

Reviewed by:

Richard Gervais, Acting Director
Internal Audit

Approved by:

Richard Gervais, Acting Director
Internal Audit

Submitted by:

David Barrick
Chief Administrative Officer

Attachments:

Appendix 1: Realty Services Audit Deferral Memo

INTERNAL AUDIT MEMO

Date: October 26, 2021

To: Marion Nader, Commissioner, Community Services
Marlon Kalideen, Interim Senior Manager, Realty Services

From: Gurpreet Singh, Acting Director, Internal Audit

Re: Deferral of Realty Services Audit

The purpose of this memo is to communicate Internal Audit's decision to defer the Realty Services audit to Q3 2022 (August).

Background

As part of the approved 2020 Internal Audit workplan, Internal Audit was scheduled to perform a Realty Services audit in Q4 2020. This engagement was deferred to Q3 2021, due to resource constraints within the team and changing priorities due to the COVID-19 pandemic.

The objective of the audit engagement is to review and assess:

- Divisional governance and oversight;
- Controls around divisional budget preparation and monitoring process;
- Controls around the billing and lease payment process;
- Divisional expenses;
- Bank loan review;
- Depreciation and disposal; and
- Compliance with City By-laws and legislative requirements.

Current Situation

An introductory meeting was held with Internal Audit and Realty Services on August 30, 2021 with the objective to introduce the teams, and discuss the audit plan, audit scope, and timelines.

Realty Services management expressed the challenges the division has continued to face this year, and noted that the reasons for deferring the audit in 2020 have not changed:

1. *Resource Limitations*

- Realty Services currently has 7 vacancies and is operating at 50% of the approved head count.
- Current staff are working additional hours in order to maintain business continuity.

2. *Backlog due to COVID-19*

- Current staff are prioritizing routine work, according to urgency, in order to meet the timelines for COVID-19 related requirements, which has created a backlog in work.
- Due to remote work arrangements, file creation has also been impacted.

It was determined that conducting an audit would not provide an accurate depiction of Realty Services' controls and processes, and would place an additional burden on staff. As such, any audit findings would not necessarily add value to the division.

Realty Services and Internal Audit have agreed that deferring the audit to August 2022 will allow the division to return to 'normality' which will ensure that the audit engagement adds value to the division as they move forward with their workplan and other projects.

Management has indicated that:

1. The recruitment process for the division's vacancies is currently underway;
2. Processes and controls, including SOPs, will be updated and revised; and
3. Staff are working towards file completion.

It is important to note that clearing the backlog of work is largely dependent on how the COVID-19 pandemic evolves in the coming months.

Conclusion

Internal Audit has concluded that conducting an audit at this time will not add value to the Realty Services division. Internal Audit and Realty Services have agreed that the audit will be deferred to Q3 2022, when Realty Services will be in a better position to accommodate this engagement.

Kind regards,

Gurpreet Singh
Acting Director, Internal Audit

Date: 2021-11-16

Subject: **Emergency Expenses Audit**

Contact: Richard Gervais, Acting Director, Internal Audit, 905 874 3836,
richard.gervais@brampton.ca

Report Number: CAO's Office-2021-1238

Effective**Executive Summary:**

Internal Audit undertook a review of expenses incurred as a result of the COVID-19 virus. The emergence of the virus brought with it the need for a number of measures to ensure the health and safety of City staff and the community. These measures resulted in significant additional costs being spent on COVID related supplies and services. The main costs associated with the pandemic were personal protective equipment (PPE), custodial services, security, and advertising/media.

The objective of this engagement was to assess whether Management had proper oversight controls around emergency spending and to determine if COVID related purchases and payments contained appropriate authorization and supporting documents.




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

During our review, we observed the following strengths relating to controls and processes around emergency expenses:

- Management's meetings and discussions in response to COVID were timely and aligned with the City's Municipal Emergency Plan.
- Effective communication and collaboration between operating departments and Purchasing to facilitate the sourcing and purchasing of Personal Protective Equipment (PPE) (i.e. masks, gloves, sanitizer; etc.).
- Newly created emergency department codes were communicated to divisions by Finance in a timely manner.
- Proper process was followed for all emergency Purchase Orders (EMPO's) and contained proper approvals.

- All changes to Purchase Orders (change orders) were timely and properly approved.
- All PPE supplies distributed by the Brampton Emergency Management Office (BEMO) were tracked in a spreadsheet.

Internal Audit discussed the following improvement opportunities with Management from the respective departments;

Process	Finding	Rating
1. Invoice approval process	COVID related invoices are not always approved by a Supervisor with proper signing authority.	
2. Expense coding process	COVID related purchases are not always coded to an emergency account.	
3. Maintenance of vendor documentation	Required documentation for vendors providing COVID related products and services (Insurance/WSIB) is not always tracked.	

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:

Effective – Overall, processes and controls around emergency expenses were found to be effective.

The overall report rating is determined as per the criteria for audit report rating explained in **Appendix 3**.

Authored by:

Brad Cecile, Sr. Internal Auditor
Internal Audit

Reviewed by:

Gurpreet Singh, Acting Director
Internal Audit

Approved by:

Richard Gervais, Acting Director
Internal Audit

Submitted by:

David Barrick
Chief Administrative Officer

Attachments:

Appendix 1: Emergency Expenses Audit Report
Appendix 2: Criteria for Evaluating Audit Findings
Appendix 3: Criteria for Audit Report Rating

City of Brampton Emergency Expenses Audit – Final Audit Report
Private & Confidential

Audit Name	City of Brampton, Emergency Expenses Audit		
Sponsor(s)	Maja Kuzmanov – Manager, Accounting Diane Oliveira – Manager, Purchasing Rick Bernard – Manager, Emergency Management		
Business Unit(s)	Procurement, Operations, Accounting, Accounts Payable	Date Issued:	November 15, 2021

1.0 Executive Summary

Audit rating: Processes and controls around emergency spending were rated as “effective” (See **Appendix 2** for the criteria for audit report rating).

Inherent risk was evaluated as medium, based on procurement and payables processes being streamlined, effective system controls (Spend Dynamics, PeopleSoft) in place, and the total dollar amount (\$11.7M) of COVID-19 related expenses.

During our review, we observed the following strengths relating to controls and processes around emergency expenses:

- Management’s meetings and discussions in response to COVID-19 were timely and aligned with the City’s Municipal Emergency Plan.
- Effective communication and collaboration between operating departments and Purchasing to facilitate the sourcing and purchasing of Personal Protective Equipment (PPE) (i.e. masks, gloves, sanitizer; etc.).
- Newly created emergency department codes were communicated to divisions by Finance in a timely manner.
- The proper process was followed for all Emergency Purchase Orders (EMPOs) and contained proper approvals.
- All changes to Purchase Orders (change orders) were timely and properly approved.
- All PPE supplies distributed by the Brampton Emergency Management Office (BEMO) were tracked in a spreadsheet.

Internal Audit discussed the following improvement opportunities with Management from the respective departments:

- COVID-19 related invoices are not always approved by a Supervisor with proper signing authority.
- COVID-19 related purchases are not always coded to an emergency account.
- Required documentation for vendors providing COVID related products and services (insurance/WSIB) is not always tracked.

2.0 Background, Objectives, and Scope

Background

On March 24, 2020 the Mayor declared an emergency in the City of Brampton due to the COVID-19 (COVID) virus. The emergence of the virus brought with it the need for a number of safety measures to ensure the health and safety of City staff and the community. These measures resulted in significant additional costs being spent on COVID related supplies and services. The main costs associated with the pandemic are personal protective equipment (PPE), custodial services, security, and advertising/media.

The breakdown of COVID costs (non-payroll) by department is as follows:

Dept.	2020 (\$M)	2021 -Q1 (\$M)	TOTAL
Transit	2.91	0.16	3.07
Public Works and Engineering	3.67	0.52	4.20
Fire and Emergency Services	2.29	0.12	2.41
Corporate Support Services	1.17	0.13	1.30
Community Services	0.67	0.05	0.72
TOTAL	\$10.71	\$0.99	\$11.70

The delivery of necessary supplies and services was coordinated by the Brampton Emergency Management Office (BEMO) as defined by Brampton's Municipal Emergency Plan. In the early stages of the pandemic, major purchases of PPE were made centrally through BEMO. BEMO staff worked with each department to determine the optimal quantity of safety supplies (i.e. masks, gloves, hand sanitizer etc.) to procure. Incoming supplies were delivered to either the Emergency Planning office or City Hall and allocated to departments as needed.

Emergency purchase orders (EMPOs) are Purchase Orders (POs) over \$25K which do not require the traditional bidding process. This exception to the purchasing procedure is allowed in order for departments to source critical supplies as fast as possible. There were four emergency POs resulting from COVID, but all other supplies were purchased through existing POs or Purchasing Cards (P-Cards). Many of the existing POs required a change order (CO) to increase the amount and/or length of the original PO.

All supplies and services, including COVID related supplies, are purchased through the Bank of Montreal P-Card, purchase requisitions, or through an approved purchase order. In March of 2020, new department codes were set up to track COVID spending. It is the responsibility of the respective department to ensure that COVID related expenses are coded correctly.

Objectives

The objective of this engagement was to assess whether Management has proper oversight controls around emergency spending and to determine if COVID related purchases and payments contained appropriate authorization and supporting documents.

1. Review Emergency Procurement Standard Operating Procedures (SOP) to ensure it is adequate and reflects current practices.
2. Review compliance to the Emergency Procurement process for emergency purchases.
3. Verify that the direction and guidance on tracking COVID spending was communicated across the organization.
4. Verify that COVID supplies (PPE) were properly received, distributed, and monitored.
5. Verify that COVID related expenses were necessary and reasonable.
6. Review controls around COVID related expense documentation and approval process.
7. Review COVID related expenses to ensure they were captured and coded under the appropriate emergency accounts.

Scope

Our audit focused on COVID related expenses from March 16, 2020 to March 31, 2021.

The following areas were **not** included in the scope of this audit:

- Additional payroll expenses related to COVID
- Employee sick days related to COVID
- Employee benefit costs related to COVID
- Provincial or Federal assistance related to COVID
- Petty cash

3.0 Detailed Audit Findings and Proposed Management Actions

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Action Plan & Target Completion Date	Responsible Person(s)
1	<p><u>Invoice Approval Process needs to be strengthened.</u></p> <p>All invoices must be approved (signature or e-mail) before they are processed by Accounts Payable (AP). The invoice approval limit for each position is set out in the Administrative Directive for Financial Spending Approval Authority.</p> <p>Our review of COVID related invoices noted the following:</p> <p>1) Invoices were not approved as per spending approval authority;</p> <ul style="list-style-type: none"> Facility Operations & Maintenance division (Security Services): 13 out of 24 invoices greater than \$50K were approved by a Supervisor with approval authority up to \$50K. The average value for these invoices was \$66K with the highest value of \$87K. Facilities Operations & Maintenance division (Facility Services): 1 out of 5 invoices reviewed valuing \$71K was approved by a Supervisor with approval authority up to \$50K. <p>2) Not all invoices were signed to validate the services provided:</p> <p>Facilities Services & Operations division: 1 out of 8 invoices valuing \$37K did not contain a signature for validation. Our further review indicated 4 additional invoices from the same vendor with no signature.</p> <p>Our discussion with management indicated that some of the noted findings were due to unprecedented and significant operational challenges during the pandemic. Process changes, increased workflow, changing priorities to manage operations and staff transitioning (work from home) resulted in reduced time and capacity available for the review and approval of certain invoices.</p> <p><u>Potential Exposure</u></p> <p>1) The approval of invoices by an individual without the required level of signing authority increases the risk that invoices are not</p>	P3	<p>1) Management should look into the possibility of automating the invoice approval process.</p> <p>In an automated system, the invoice approval limit for each employee can be embedded in the workflow approval, eliminating the risk of employees approving invoices over their limit.</p> <p>Aside from increasing controls, accounts payable automation also reduces invoice approval time and increases transparency of the invoice approval process.</p> <p>2) Review controls should be enhanced by Accounts Payable to ensure invoices are adequately signed and validated before processing.</p>	<p>Management agrees with the recommendations.</p> <p>Finance and DI&IT are currently in the final stages of implementing Accounts Payable Automation System (WebCenter). As planned, Phase 1 of this project is scheduled to go live on October 30, 2021. WebCenter will significantly improve efficiency and effectiveness of City's Accounts Payable function by streamlining and automating invoice processing with following key benefits:</p> <ol style="list-style-type: none"> 1. Electronically manage approvals via departmental workflow 2. Increase visibility on where invoices are in the process 3. Keep supporting documents in one file 4. Reduce the risk of manual data entry errors 5. Reduce the risk of misplaced paperwork 	Manager, Accounting

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Action Plan & Target Completion Date	Responsible Person(s)
	<p>being approved by the individual best suited to validate the invoice and could potentially result in financial loss to the City.</p> <p>2) An invoice that does not contain approval (signature or e-mail) does not validate that the amount charged for the product/service is accurate and increases the risk of financial loss to the City.</p>			<p>6. Improve vendor relations by paying invoices on time</p> <p>7. Distribute invoices to approving departments more efficiently</p> <p>8. Reducing duplicate invoice copies through city</p> <p>Key functionality of the WebCenter workflow review and approval process is integration with on-line Financial Spending Authority database. This will ensure that only staff with appropriate authority will be able to approve invoices.</p> <p>Target Completion Date:</p> <ul style="list-style-type: none"> Phase 1 – October 30, 2021 Phase 2 – Q3 2022 	

2	<p><u>COVID related expenses not coded to an emergency department.</u></p> <p>In March 2020, seven new department codes were created in PeopleSoft. As per Finance's direction, these new "emergency department" codes were to be used for any COVID related expense.</p> <p>1) Our analysis of P-Card data found a number of COVID related purchases that were not coded to an emergency account.</p> <p>There were 132 COVID related purchases totalling \$46,523 (2.1% of the total COVID spend on P-Cards) that were coded to the department's regular code instead of the department's emergency code.</p> <p>2) One invoice was not properly coded to an emergency department.</p> <p>For some invoices, based on the nature of the items purchased, the total amount needs to be split between the regular department code and the emergency department code.</p> <p>Our review of 15 invoices indicated one invoice that should have been split but was not correctly keyed into PeopleSoft (the entire amount of \$39,985 was coded to the regular department. However, \$37,933 of this amount should have been coded to the emergency department).</p> <p>Our discussion with management indicated that Federal-Provincial funding (Safe Restart Program) is based on a flat formula and the above coding errors did not impact City funding.</p> <p><u>Potential Exposure</u></p> <p>1) Incorrect coding of COVID purchases results in total COVID costs being understated and impedes the accuracy of financial data.</p> <p>2) Invoice keying errors can result in inaccurate reporting of costs and impedes the accuracy of financial data.</p>	P3	<p>1) Purchasing, in coordination with Finance, should reiterate the process and communicate the "emergency department" codes to all P-Card users to emphasize the importance of proper coding.</p> <p>The e-mail should note that as part of the review process, the approving Manager should look for COVID related keywords (Ex. COVID, masks, disinfect, social distance etc.) in the transaction description field, and verify that all COVID related purchases are coded properly.</p> <p>2) Invoices that need to be coded to two different departments are more prone to coding errors and should be subject to a secondary review to ensure the accuracy of invoice coding.</p>	<p>1) When emergency codes are created an email will be sent out from BMO Spend Dynamics to all account holders.</p> <p>Emergency Account Coding Email was sent out on October 12, 2021.</p> <p>Target Completion Date: Implemented</p> <p>2) Management agrees with recommendations.</p> <p>Finance staff will send reminder e-mail to Operating Departments regarding Emergency Account coding.</p> <p>Emergency Account Coding Emails were sent on:</p> <ul style="list-style-type: none"> • Community Services – October 12, 2021 • Public Works & Engineering – October 12, 2021 • Fire – October 12, 2021 • CAO – October 12, 2021 • Corporate Support Services – October 13, 2021 	<p>1) Administrator, Purchasing Card</p> <p>2) Manager, Accounting</p>
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Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Action Plan & Target Completion Date	Responsible Person(s)
				<ul style="list-style-type: none"> Legislative Services – October 13, 2021 Planning – October 13, 2021 <p>Invoices that need to be coded to two different departments will be subject to a secondary (AP Supervisor or AP Group Leader) review to ensure the accuracy of invoice coding.</p> <p>Target Completion Date: Implemented</p>	

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Action Plan & Target Completion Date	Responsible Person(s)
				<p>Vendor has uploaded valid Certificates.</p> <p>Target Completion Date – Implemented</p> <p><u>Transit</u> Transit will request issuance of all active POs until all necessary and current certificates are received.</p> <p>Expiry dates will be noted and reminders will be added to the calendars of Contract Administrator and Maintenance Manager 30 days ahead of the expiry date to request vendors for updated certificates.</p> <p>Target Completion Date – Nov. 1, 2021</p>	Manager, Transit Maintenance

Report Distribution List	
Barrick, David	Chief Administrative Officer
Davidson, Michael	Commissioner, Corporate Support Services
Boyes, Bill	Chief, Fire and Emergency Services
Milojevic, Alex	General Manager, Transit
Medeiros, Mark	Treasurer
Fagan, Edward	Director, Parks Maintenance and Forestry
Rebancos, Gina	Director, Purchasing
Kuzmanov, Maja	Manager, Accounting
Bernard, Rick	Manager, Emergency Management
Oliveira, Diane	Manager, Purchasing
Santeramo, Claudia	Manager, Procurement Performance

Internal Audit Team	
Gervais, Richard	Acting Director, Internal Audit
Singh, Gurpreet	Acting Director, Internal Audit
Cecile, Brad	Senior Internal Auditor
Matar, Nibal	Senior Internal Auditor

City of Brampton Emergency Expenses Audit – Final Audit Report
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Appendix 2 – Criteria for Evaluating Audit Findings

Priority Rating	Description
Priority 1 (P1)	<p>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.</p> <ul style="list-style-type: none"> • Financial impact of both actual and potential losses is material • 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 • 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 • 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 • 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 • Fraud by management or staff, as defined by the Corporate Fraud Prevention Policy (Policy 2.14)

Priority 2 (P2)	<p>One or more of the following conditions exist that require attention by senior management. Corrective actions by management should be implemented.</p> <ul style="list-style-type: none"> • Financial impact of both actual and potential losses is significant • 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 • 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 • Management's actions, or lack thereof, have impacted or delayed a key initiative, and the funding for such initiative may be compromised • 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 • Management failed to comply with Council-approved policies, by-laws, regulatory requirements, etc., which may result in penalties • Management failed to identify or remedy key control deficiencies that may impact the effectiveness of anti-fraud programs
(Priority 3) P3	<p>One or more of the following conditions exist that require attention by management. Corrective actions by management should be implemented.</p> <ul style="list-style-type: none"> • Financial impact of both actual and potential losses is insignificant • A non-key process or control, if compromised, may require some efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks • 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 • Minimal risk of non-compliance to Council-approved policies, by-laws, regulatory requirements, etc. • Low impact to the City's strategic or key initiative • Low impact to the City's operations

City of Brampton Emergency Expenses Audit – Final Audit Report
Private & Confidential

Appendix 3 – Criteria for Audit Report Rating

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

Date: 2021-11-19

Subject: **Internal Audit Risk Assessment and Development of an Audit Universe**

Contact: Richard Gervais, Acting Director, Internal Audit, 905-874-3836, richard.gervais@brampton.ca

Report Number: CAO's Office-2021-1243

Recommendations:

1. That the report titled: **Internal Audit Risk Assessment and Development of an Audit Universe**, to the Audit Committee Meeting of December 7, 2021, be received.

Overview:

- A key requirement of the Internal Audit function is the establishment of a risk-based audit plan, which determines the priorities of Internal Audit. A risk based audit plan is the product of an audit risk assessment.
- Internal Audit engaged KPMG in July 2021 to conduct a risk assessment;
- Included with the risk assessment is the City's audit universe and priority ratings for each area; and
- The attached risk assessment document will support Internal Audit in developing its audit work plan for 2022 and future years.

Background:

A Quality Assurance Review ('QAR') of the Internal Audit ('IA') Function, conducted in 2020, indicated that a comprehensive internal audit risk assessment had not been

conducted in recent years and the current audit universe was not reflective of the City's current environment.

Internal Audit engaged KPMG to perform an internal audit risk assessment, along with creating the audit universe. See **Appendix 1** for the **Internal Audit Risk Assessment and Development of Audit Universe**.

Current Situation:

A key requirement of Internal Audit is the establishment of a risk-based audit plan to determine the priorities of IA activities.

There was no corporate wide audit universe or fully developed internal audit risk assessment in place. In the past, annual audit work plans were created in consultation with management and ad hoc risk assessments. An IT audit risk assessment was conducted in 2017 and has formed the basis for IT audits since, and must be refreshed in 2022.

Approach

Meetings were held with key senior stakeholders across the organization, including some members of Council and Audit Committee's Chair and Vice Chair. The agenda included discussion on the importance and purpose of an audit risk assessment and identifying key risk areas. The results of that work can be found in **Appendix 1**. In addition, KPMG will provide Internal Audit with an audit work plan which will then be owned by the City and which IA will update yearly and revise based on changing priorities.

Corporate Implications:

Financial Implications:

N/A

Other Implications:

Efficiencies resulting from improved planning capabilities and a corporate approach in setting priorities.

Term of Council Priorities:

This report achieves the Term of Council Priority of 'Brampton is a well-run city' through the establishment of an enterprise level Internal Audit risk assessment and creation of an audit universe which promotes corporate accountability, values, and governance best practices.

Conclusion:

With the internal audit risk assessment and audit universe in place, Internal Audit will proceed to establish a multi-year audit plan, starting with the 2022 audit year. This work plan will be presented to Audit Committee at the February 2022 meeting.

Authored by:

Sabrina Cook, Research Coordinator
Internal Audit

Reviewed by:

Richard Gervais, Acting Director
Internal Audit

Approved by:

Richard Gervais, Acting Director
Internal Audit

Submitted by:

David Barrick
Chief Administrative Officer**Attachments:****Appendix 1:** Internal Audit Risk Assessment and Development of Audit Universe



City of Brampton

Internal audit assessment and development of audit universe

November 2021

KPMG LLP

Table of contents

Contacts

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Status of Report

Discussion draft issued	November 2, November 4, and November 15, 2021
Final report issued	November 16, 2021
Presented to Audit Committee	December 7, 2021

Distribution

Sponsor: Richard Gervais – Director of Internal Audit

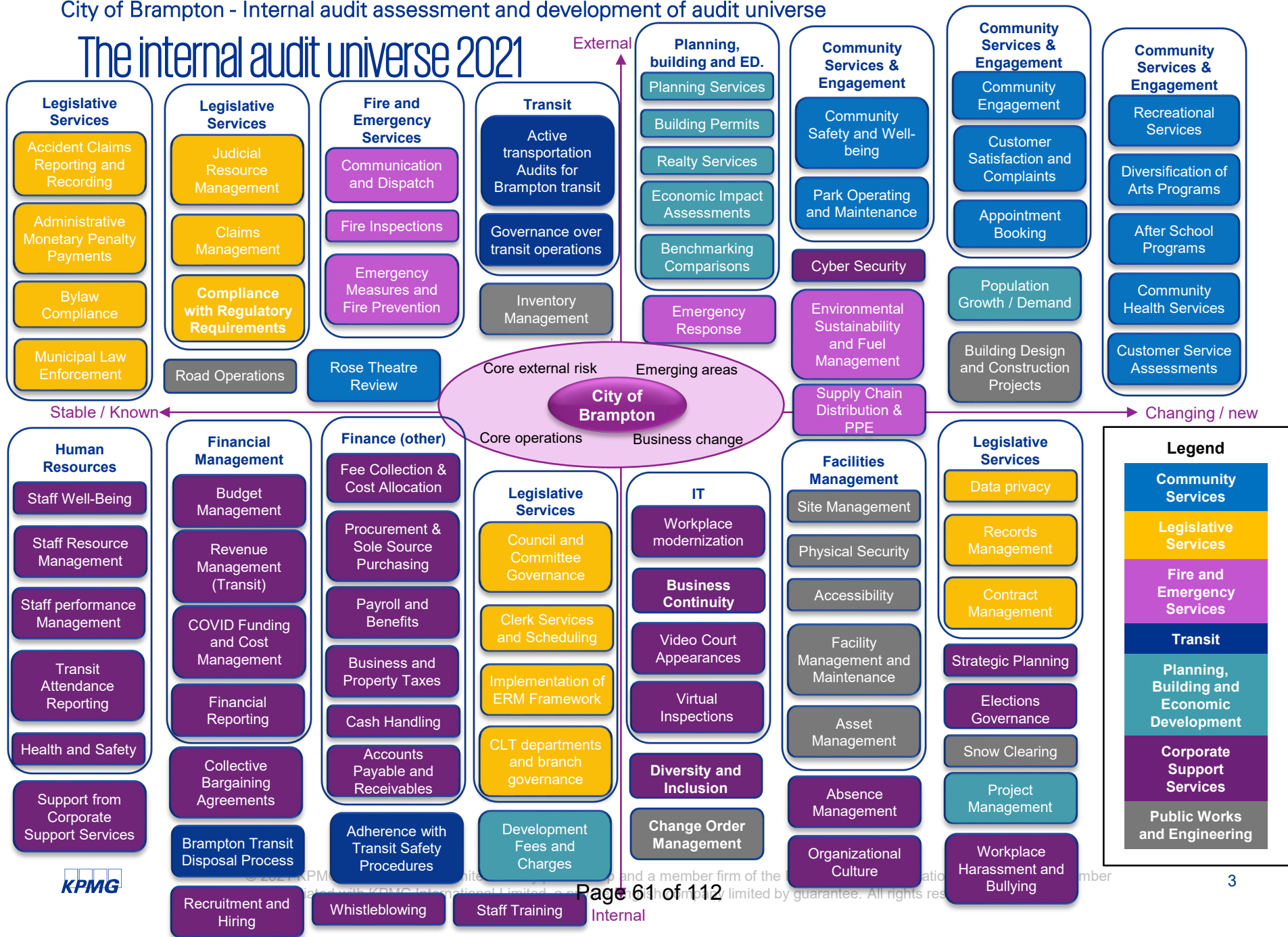
To (for action):

- Richard Gervais – Director of Internal Audit
- Gurpreet Singh – Internal Audit Manager

cc (for information):

- David Barrick – Chief Administrative Officer
- Audit Committee

The internal audit universe 2021



Risk areas and priority ratings

In this section we have shown the priority rating of each auditable area outlined in the audit universe. This was identified based on our:

- Knowledge of risks impacting the municipal government sector;
- Review of City of Brampton documentation such as the fire master plan, active transportation master plan and other documentation available on the City's website; as well as prior year internal audit workplans and risks documented in the City's audit management software
- Discussions with management on their portfolios, risks facing the City and any other challenges noted.

We have provided indicative priority ratings for each area to support the City's Internal Audit Function in developing an internal audit plan. The Internal Audit Team should use this document and its intimate knowledge of the City to develop its risk-based Internal Audit Plan for 2022 and future years.

We have grouped our auditable areas into four sections based on the quadrants shown in the audit universe on the previous slide (core operations, business change, emerging areas and core external risk). In each of the four sections we have broken down the auditable areas by priority rating, as shown below:

- High priority*
- Medium priority highlighted by one or more departments during our analysis*
- Other medium priority areas
- Low priority

*Further rationale and context for the high priority auditable areas and medium priority areas highlighted by one or more department has been provided in the tables on slides 5-12

We have included definitions of the priority ratings on slide 13.

Risk areas and priority ratings

Name	Priority Rating	Rationale for Ranking
Core Operations (High priority)		
Procurement and Sole Source Purchasing	H	Ensuring compliance with procurement by-law around procurement transactions including competitive bids and sole sourced purchases
Support from Corporate Support Services	H	Multiple departments have experienced challenges with obtaining back-end support from corporate services in a timely manner. Opportunity to review the efficiency and consistency of support provided.
Transit Revenue Management	H	Managing revenue shortfalls across Transit due to decreased routes during the course of the pandemic. Further opportunity to better leverage presto cards and move away from cash.
Development Fees and Charges	H	Ensuring fees and charges are appropriate and collected in full

Name	Priority Rating	Rationale for Ranking
Core Operations (Medium priority areas highlighted by one or more departments)		
Staff Well - Being	M	Pandemic first responders have experienced significant stress/pressure which may impact mental health and well-being.
Staff Resource Management	M	Ensuring sufficient resources are available to manage ridership and route growth post-pandemic across Transit. Ensuring future staff needs are identified across the organization
Whistleblowing	M	Opportunity to review processes and controls in light of third party investigation report
Health and Safety	M	In particular for staff engaging with the public (e.g. transit).
Staff Recruitment and Hiring	M	Opportunity to review processes and controls in light of third party investigation report
COVID Funding and Cost Management	M	Ensuring compliance with provincial/federal reporting requirements for pandemic funding, and that appropriate controls are in place to manage costs due to impact of pandemic (e.g. running Transit system with reduced driver numbers).

Risk areas and priority ratings

Name	Priority Rating	Rationale for Ranking
Core Operations (Medium priority areas highlighted by one or more departments)		
Clerk Services and Scheduling	M	Ensuring processes for delegation schedules are appropriately followed.
Staff Planning Collective Bargaining Agreements	M	Review short term management of staff absences/changes.
Staff Training	M	Ensuring consistency of training provided to staff, in particular within Corporate Support Services.
Implementation of an ERM Framework	M	Previous ERM framework implementation for legislative services delayed due to staff turnover.
Business and Property Taxes	M	Represents a significant portion of City revenue
Payroll and Benefits	M	Represents a significant portion of City expenditure

Below we have shown other auditable areas for internal audit to consider which were not found to be prioritized based on our current assessment.

Name	Priority Rating
Core Operations (Other medium priority and low priority areas)	
Brampton Transit Disposal Process	M
Fee Collection and Cost Allocation	M
Cash Handling	M
Staff Performance Management	M
Transit Attendance Reporting	M
Accounts Payable and Receivables	M
Adherence with Transit Safety Procedures	M
Budget Management	M
Financial Reporting	M
Council and Committee Governance	M
CLT Departments and Branch Governance	L

Risk areas and priority ratings

Name	Priority Rating	Rationale for Ranking
Business Change (High priority)		
Workplace Modernization	H	Managing additional risk factors due to COVID-19 including hybrid work models (working from home and the office), connectivity to municipal systems and post-COVID planning. Furthermore, there are opportunities to implement IT updates to facilitate integration across departments and improve data management and oversight. In addition, there are opportunities to enhance IT literacy amongst City staff.
Data Privacy	H	Ensuring data privacy due to process changes as a result of COVID-19, and privacy around recent system implementations. e.g. new computer dispatch and 911 system in Fire Services, and CRM system for tracking and resolving customer complaints in Transit. Furthermore, opportunities to review privacy and integrity of systems within Economic Development, and processes around personal data privacy and security.
Asset Management	H	Ensuring proactive and central management of asset repair and maintenance planning

Name	Priority Rating	Rationale for Ranking
Business Change (Medium priority areas highlighted by one or more departments)		
Organizational Culture	M	Opportunity to review processes and controls in light of third party investigation report
Workplace Harassment and Bullying	M	Opportunity to review processes and controls in light of third party investigation report
Video Court Appearances	M	Ensuring appropriate controls in place around video court appearances including data privacy and IT controls
Virtual Inspections	M	Ensuring the efficacy of inspections in a virtual environment
Diversity and Inclusion	M	Ensuring the City are adopting best practices across its operations to promote an inclusive and diverse workplace
Accessibility	M	Review of accessibility across City facilities to ensure consistency

Risk areas and priority ratings

Name	Priority Rating	Rationale for Ranking
Business Change (Medium priority areas highlighted by one or more departments)		
Records Management	M	Review efficiency and effectiveness of current document management practices and consider opportunities to procure a new document management system for legislative services
Contract Management	M	Opportunities to improve oversight of ongoing contracts and ensuring compliance with contract terms are being met, in particular across planning, building and economic development department.
Facility Management and Maintenance	M	Review opportunities to manage costs within Fire Services through shared spaces and smaller physical locations
Strategic Planning	M	Coordination of Council strategy with City Council
Project Management	M	Review management of transit capital projects and overall coordination of capital projects across the City, in particular across Economic Development where a new system has been implemented for tracking development projects.

Below we have shown other auditable areas for internal audit to consider which were not found to be prioritized based on our current assessment.

Name	Priority Rating
Business Change (Other medium priority and low priority areas)	
Snow Clearing	M
Change Order Management	M
Site Management	M
Physical Security	M
Business Continuity	M
Absence Management	M
Elections Governance	L

Risk areas and priority ratings

Name	Priority Rating	Rationale for Ranking
Emerging Areas (High priority)		
Cyber Security	H	Ensuring appropriate cyber security measures across newly implemented and City-wide systems, and managing cyber security risks due to remote working
Environmental Sustainability and Fuel Management	H	Review shift to electric vehicles for fire and transit fleets. Opportunity to review compliance with environmental regulations around fuel consumption.

Name	Priority Rating	Rationale for Ranking
Emerging Areas (Medium priority areas highlighted by one or more departments)		
Economic Impact Assessments	M	Opportunity to develop a standard framework to better ensure consistency across assessments
Benchmarking Comparisons	M	Opportunities to benchmark key metrics against other divisions/municipalities across Community Services and Economic Development
Park Operating and Maintenance	M	Opportunities to streamline park maintenance activities and review resource allocations of maintenance tasks
Supply Chain Distribution and PPE	M	Review supply chain management processes for provision of PPE across Fire Services and the impact of costs for supplies if available inventory is limited.
Community Engagement	M	Opportunities to improve community education across Fire Services and enhance educational programs for local communities. Furthermore, opportunities to improve processes to track and monitor feedback from public.
Customer Satisfaction and Complaints	M	In particular across Transit due to impact of reduced services due to COVID 19 and the implementation of new CRM system.
Customer Service Assessments	M	Review consistency and effectiveness of customer service offered
Building Design and Construction Projects	M	Ensuring appropriate costing, budgeting and project management.

Risk areas and priority ratings

Name	Priority Rating	Rationale for Ranking
Emerging Areas (Medium priority areas highlighted by one or more departments)		
Population Growth / Demand	M	Review efficiency of development application process to help manage increase in applications. Furthermore, opportunities to assess impact of ridership growth across transit, considering increase in post-pandemic activity.
Appointment Booking	M	Review opportunities to move to a centralized booking system for economic development.
Community Health Services	M	Opportunities to improve coordination of health services with Peel Health
Recreation Services	M	Review of health and safety and risks associated with direct public contact

Below we have shown other auditable areas for internal audit to consider which were not found to be prioritized based on our current assessment.

Name	Priority Rating
Emerging Areas (Other medium priority and low priority areas)	
Planning Services	M
Building Permits	M
Realty Services	M
Emergency Response	M
Community Safety and Well-Being	M
Diversification of Arts Program	L
After School Programs	L

Risk areas and priority ratings

Name	Priority Rating	Rationale for Ranking
Core External Risk (High priority)		
Claims Management	H	Review claims management practices and impact of legal fees and settlement pay-outs as a result of the pandemic.

Name	Priority Rating	Rationale for Ranking
Core External Risk (Medium priority areas highlighted by one or more departments)		
Administrative Monetary Penalties	M	Increase of payments during the course of the pandemic
Judicial Resource Management	M	The City are experiencing a backlog of requests with a number of cases delayed due to limited resources in place. Opportunity for the City to review judicial processes for improved process efficiencies and streamlining of activity.
Communications and Dispatch	M	Review effectiveness and efficiency of new dispatch system across Fire Services.
Governance over Transit Operations	M	Opportunity to review service efficiency during and post pandemic.
Inventory Management	M	Opportunities to move towards more centralized oversight/management of City inventory.

On the next slide we have shown other auditable areas for internal audit to consider which were not found to be prioritized based on our current assessment.

Risk areas and priority ratings

Name	Priority Rating
Core External Risk (Other medium priority and low priority areas)	
Compliance with Regulatory Requirements	M
Road Operations	M
Fire Inspections	M
Emergency Measures and Fire Prevention	M
Accident Claims Reporting and Recording	M
By-law Compliance	M
Municipal Law Enforcement	M
Rose Theatre Review	L
Active Transportation Audits	L

Priority Rating Definitions

Below we have provided definitions of the priority ratings used across this report.

High	Refers to areas of highest priority to the City based on our discussions with City staff and the potential risks associated with the auditable area. These areas should be investigated further and prioritized by Internal Audit to ensure the appropriate measures, processes and controls are in place across City operations
Medium	Refers to medium priority auditable areas based on our discussions with City staff. These areas may not require immediate attention however should be closely monitored by Internal Audit and assessed on a periodic basis. Those with further rationale provided are areas which were specifically highlighted by management across one or more departments. Other medium priority areas were not specifically highlighted by management however should be monitored by Internal Audit going forward.
Low	Refers to lower priority areas based on discussions with City staff and the potential risk exposure. These areas are not considered significant nor fundamental towards the City achieving its strategic objectives.

Disclaimer

This report has been prepared solely to assist the City of Brampton. Our report is not intended for general use, circulation or publication outside of the City of Brampton, unless otherwise agreed. For the avoidance of doubt, our report may not be disclosed, copied, quoted or referenced to, in whole or in part, without our prior written consent in each specific instance. Such consent not to be unreasonably withheld, if given, may be on conditions, including without limitation an indemnity against any claims by third parties arising from release of any part of our reports. We will not assume any responsibility or liability for any costs or damages, losses, liabilities, or expenses incurred by anyone else as a result of circulation, publication, reproduction, use of or reliance upon our report.



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Date: 2021-11-23

Subject: **Staff Information Report Regarding the Fraud Hotline Expansion to Brampton Residents**

Contact: Richard Gervais, Acting Director, Internal Audit, 905-874-3836, richard.gervais@brampton.ca

Report Number: CAO's Office-2021-1252

Recommendations:

1. That the report titled: **Staff Information Report Regarding the Fraud Hotline Expansion to Brampton Residents**, to the Audit Committee Meeting of December 7, 2021, be received.

Overview:

- Currently, the City of Brampton's Fraud Hotline is not available to members of the public;
- Brampton residents can report potential incidents of fraud through Service Brampton or by following the Public Complaints Process;
- At the September 28, 2021 Audit Committee Meeting, Internal Audit was asked to provide additional information; and
- Internal Audit conducted further research, including municipal benchmarking, and has provided an analysis of the potential expansion of the Fraud Hotline.

Background:

At the September 28, 2021 Audit Committee meeting, Internal Audit presented information regarding the potential expansion of the Fraud Hotline for Audit Committee to consider. Audit Committee discussion on this matter included the following:

- Concerns regarding the potential volume of complaints from the public to the Hotline, and a request that staff benchmark other municipalities and provide this information prior to budget deliberations; and
- Request that staff identify the number of calls received through 311 that may be more appropriately reported through the Fraud Hotline, and that this information be provided prior to budget deliberations.

Current Situation:

Currently, residents can report potential fraud and waste in the City through Service Brampton or by following the Public Complaints Process. The City of Brampton's Fraud Hotline itself is currently not available to residents.

The number of Fraud Hotline reports has increased year over year: in 2018, 12 reports were received, in 2019, 18 reports were received, and in 2020, 35 reports were received. As at Q3 2021, the Fraud Hotline has received a total of 69 reports. This number may be inflated as 39 of the reports were delegated to Internal Audit by Deloitte as a result of the Council approved investigation. The 39 reports contained internal and public complaints which were out of scope of the Council approved investigation; 20 reports were referred to the City's Integrity Commissioner, and 19 reports are currently under review by Internal Audit.

Internal Audit worked with other City divisions and municipalities in order to confirm further information regarding the costs associated with the expansion of the Fraud Hotline, conducted additional municipal benchmarking, and obtained data from Service Brampton regarding the number of fraud related calls received by 311.

Cost

In order to manage the expanded Fraud Hotline, Internal Audit would require two additional full time permanent roles; one manager-level position and one coordinator-level position. Internal Audit worked with Human Resources and Finance to determine the cost associated with both positions, which can be found in Table 1 below, with details in the Labour Costs table in Appendix 1.

In addition to Internal Audit resources, there will be an increase in the cost of conducting investigations due to additional departmental resources needed to conduct investigations as well as third party investigations where required. Internal Audit does not have sufficient information to estimate the financial impact.

Internal Audit worked with Strategic Communications to scope and cost a public communications plan. Two options were provided and descriptions can be found in the Communication Campaign Options table in Appendix 1. We included the cost of option 2 in Table 1 below.

In regards to licensing fees, we obtained quotes with options for expanding the Fraud Hotline. A description of the cost associated with each option can be found in the Licensing Fee Options table in Appendix 1. We included the cost of option 4 in Table 1 below.

Table 1: Costs Associated with the Fraud Hotline Expansion- Year One

Staffing, Communications and Licensing	Costs
Staff Resources	\$251, 838
Communications Plan	\$4, 700
Licensing Fee	\$27, 600
Total	\$284, 138

Benchmarking

Internal Audit conducted further benchmarking with the Cities of Toronto, Hamilton, and Ottawa to determine the number of reports received via their respective fraud reporting processes. Internal Audit relied on publicly available information, primarily annual reports.

The information reported in each City's annual fraud report captures slightly different metrics and different reporting periods. This is useful for benchmarking purposes but should be taken into consideration when analyzing the information provided in the tables below.

The City of Mississauga and the Region of Peel have been excluded from the analysis as they do not provide a dedicated fraud reporting "hotline" for the public. Residents can report incidents of fraud, waste, and misconduct by, for example, following the 'Public Complaints Procedures' in place at the City of Mississauga or by submitting a 'Formal Complaints Form' to the Region of Peel.

Tables 2 through 5 can be found on the following page.

Table 2: Total Number of Reports Received (Public and Internal)

Municipality	2018	2019	2020
Toronto	643	587	848
Ottawa	190	224	204
Hamilton	-	99*	80

* Represents 18 months of data. The following year represents 12 months.

Table 3: Percentage of Public versus Internal Reports

Municipality	2018 Internal	2018 Public	2019 Internal	2019 Public	2020 Internal	2020 Public
Ottawa	43%	57%	54%	46%	56%	44%
Hamilton	N/A	N/A	45%	55%	59%	41%

Please note: the City of Toronto does not publish this information in their Annual Reports on the Fraud and Waste Hotline.

Table 4: Number of Reports Investigated

Municipality	2018	2019	2020
Toronto			
• Full investigations	12	10	78
• Preliminary investigations	252	182	217
Ottawa			
• All investigations	87	99	81
Hamilton			
• All investigations	N/A	31	18

Table 5: Estimated Loss Recovery

Municipality	2018	2019	2020
Toronto (Total cost from 2016 to 2020)			
• Actual losses	\$37M over 4 years		
• Potential losses	\$ 3M over 4 years		
Hamilton			
• Loss/waste substantiated	N/A	\$202, 000	\$235, 000
• Losses recovered		\$ 21, 000	\$ 300
• Restitution			\$ 4, 700

Please note: The City of Ottawa does not include the total amount of loss recovery in their Annual Reports on the Fraud and Waste Hotline.

Analysis of 311 Calls

For our analysis, Service Brampton staff provided Internal Audit with all records where the word “fraud” was recorded in the call report in 2020 and 2021 (as at Q3 2021). Service Brampton does not have an explicit fraud category. Internal Audit reviewed this data to determine the final disposition of the calls/emails.

In our analysis, we determined that none of the 311 calls/emails would have resulted in a fraud investigation by Internal Audit. These calls/emails were all handled by 311. None of the calls/emails received during this time were referred to Internal Audit.

Most of the calls/emails were either forwarded to internal operating departments, or the resident was referred to other government bodies and agencies, including the Region of Peel, the provincial and federal governments, and Peel Regional Police.

Table 6: 311 Analysis

BRAMPTON- 311	2020	2021 (Q1-Q3)
Number of fraud related calls	107	56
Delegated to City departments	40	29
Referred to Peel Regional Police (PRP)	40	15
Referred to other government agencies	21	10
Undetermined	1	2

Pros and Cons Analysis

Internal Audit compared two different fraud reporting options for this analysis. Three of the municipalities in scope of this report provide dedicated hotlines for residents reporting fraud and waste. The City of Mississauga and the Region of Peel rely on public reporting processes similar to that of the City of Brampton. The analysis below considers these two different options.

Option 1: Fraud Reporting Hotline Expansion

The Fraud Hotline could be expanded to members of the public.

PROS

- Simplifies Fraud reporting to a single entity, which supports the unified oversight of fraud related issues;
- The public sees issues from a different perspective, which broadens oversight on potential issues of fraud, waste, and wrongdoing in the City; and
- With increased oversight, areas of concern, risks, and trends may be identified that would inform Internal Audit’s work plan.

CONS

- It is difficult to conclude whether the increased cost of expanding the Fraud Hotline will provide value for money. While there are quantifiable and intangible benefits of the Fraud Hotline, Internal Audit has not reported any financial loss recovery based on 2020 and 2021 (as at Q3 2021) data, unlike the Cities of Toronto and Hamilton;
- The Fraud Hotline functions very differently than a call centre service. Its purpose is to receive reports of potential incidents of fraud, not to provide direct and immediate support to members of the public; and
- It is likely that the Fraud Hotline would start receiving issues better suited for 311. This will create inefficiencies while Internal Audit assesses reports that could have been more quickly addressed by 311.

Option 2: Leveraging Existing Reporting Channels

This option leverages one or more existing services such as the Public Complaints process and Service Brampton. This approach could also be used as a pilot program to better understand the impact of public fraud reporting. The City may consider a communications campaign, similar to that described in Appendix 1, as members of the public may not be aware that fraud and waste can be reported through existing reporting channels.

PROS

- The reporting processes already exist and the public is familiar with the ways in which issues and complaints can be reported to the City; and,
- This option costs less than expanding the Fraud Hotline.

CONS

- The current reporting processes may not protect the anonymity and confidentiality of all concerned, an option which is built-in to the Fraud Hotline reporting platform;
- Additional effort would be initially required by City staff as they collaborate to review existing processes and to ensure that fraud related reports are recorded, tracked, remain confidential, that progress is monitored, and provide management reporting; and,
- Internal Audit may not be made aware of emerging areas of potential concern and/or risk.

Corporate Implications:

Financial Implications:

Should it be decided to expand the Fraud Hotline to members of the public, there will be an increase in the cost of conducting investigations; Internal Audit does not have

sufficient information to estimate the financial impact on departmental resources and the cost of engaging third party investigators. Internal Audit would require additional staff members in order to successfully manage the Fraud Hotline, as well as a budget for the communications campaign. The cost options of the Fraud Hotline expansion were provided in 2020 and may be subject to change. Please refer to Appendix 1 for details of the costs.

Other Implications:

N/A

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:

A fraud reporting hotline is successful when staff and members of the public can be confident that there is a reliable means of reporting incidents of potential fraud and waste in the City. Staff and members of the public should be made aware of the ways in which this can be reported, and that effective and secure processes for receiving, assessing, investigating, and reporting incidents of fraud are in place.

Authored by:

Sabrina Cook, Research Coordinator
Internal Audit

Reviewed by:

Richard Gervais, Acting Director
Internal Audit

Approved by:

Richard Gervais, Acting Director
Internal Audit

Submitted by:

David Barrick
Chief Administrative Officer

Attachments:

Appendix 1: Detailed Cost Analysis

APPENDIX 1: DETAILED COST ANALYSIS

Labour Costs:

Budget Item	Salary	Benefits & WSIB	Total Cost
Staff Request - Manager (NU Grade 7)	\$118, 477	\$28, 322 + \$758	\$147, 557
Staff Request - Coordinator (NU Grade 4)	\$ 81, 687	\$22, 071 + \$523	\$104, 281
			\$251, 838

Communications Campaign Options:

Phase	Details	Cost
Option 1: Soft Launch	<ul style="list-style-type: none"> • Paid social media- \$500 (2 wks min.) • Educational print brochures- \$1 000 <i>(available at all City Customer Service Counters highlighting whom to call: 311, Fraud Hotline, Ombudsman etc)</i> • Translation of brochure <i>(to top 10 Brampton languages plus French)-</i> \$2 600 	\$4, 100
Option 2: Hard Launch	<ul style="list-style-type: none"> • Paid social media – \$1,000 (4 weeks) • Educational print brochure – \$1,000 <i>(available at City customer service counters)</i> • Translation of brochure <i>(to top 10 Brampton languages plus French) –</i> \$2,600 • Posters at key City facilities <i>(City Hall, libraries, Recreation Centres, Courthouse, etc.)–</i> \$100 	\$4, 700
Other Communication Channels	<ul style="list-style-type: none"> • City website • Organic social media channels <i>(Facebook, Twitter, LinkedIn and Instagram)</i> • City Matters newsletter 	No cost

Licensing Fee Options:

*Note: Number of staff and population size are key pricing factors.

Options	Description		Pricing for 2021
Option 1: City staff only	Web and phone	Staff:	\$ 17, 600
Option 2: City staff and members of the public	Web and phone- staff Web- public	Staff:	\$ 17, 600
		Public:	\$ 6, 600
		Total:	\$ 24, 200
Option 3: City staff and members of the public	Web and shared phone number	Staff:	\$ 17, 600
		Public:	\$ 9, 900
		Total:	\$ 27, 500
Option 4: City staff and members of the public	Web and 2 separate phone numbers	Staff:	\$ 17, 600
		Public:	\$ 10, 000
		Total:	\$ 27, 600

Date: 2021-11-08

Subject: **Status of Management Action Plans (MAP) – September 30, 2021**

Contact: Richard Gervais, Acting Director, Internal Audit, 905-874-3836,
richard.gervais@brampton.ca

Report Number: CAO's Office-2021-1240

Recommendations:

1. That the report titled: **Status of Management Actions Plans (MAP) – September 30, 2021**, to the Audit Committee Meeting of December 7, 2021, 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 recommendations;
- The objective of this report is for Internal Audit to inform Audit Committee members on the progress of the implementation of audit recommendations, as reported by management;
- The comments provided by management reflect the status of the implementation of recommendations due to be completed by or prior to September 30, 2021;
- As of September 30, 2021, 11 recommendations were implemented by management and 12 recommendations 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 recommendations 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 recommendations. 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 recommendations 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 recommendations due to be implemented by management on or prior to June 30, 2021.

Current Situation:

As of September 30, 2021, 11 recommendations were implemented by management on or prior to this date, and 12 recommendations were deferred. Some of the recommendations were deferred in order to address emerging high risk cyber threats. The remaining recommendations identified as "not yet due" have anticipated completion dates between Q3 2021 and 2025. The following table details the open and deferred recommendations ("recs").

Recs at Q3 2021	New Recs in Q3 2021	Recs Completed in Q3 2021	Recs Deferred in Q3 2021	Recs Not Yet Due
68	11	11	12	45

Please refer to **Appendix 1** for the details of the recommendations as of September 30, 2021.

Please refer to **Appendix 2** for a detailed list of the status of the recommendations as of September 30, 2021.

Corporate Implications:

Financial Implications:

N/A

Other Implications:

N/A

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 recommendations, 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 base, and enhancing efficiencies and process effectiveness. Internal Audit encourages management and staff to continue striving to meet the target completion dates of the Management Action Plans.

Authored by:

Sabrina Cook, Research Coordinator
Internal Audit

Reviewed by:

Richard Gervais, Acting Director
Internal Audit

Approved by:

Richard Gervais, Acting Director
Internal Audit

Submitted by:

David Barrick
Chief Administrative Officer

Attachments:

Appendix 1: Management Action Plans as of September 30, 2021






Appendix 2: Management Action Plan Status Details as of September 30, 2021































					As of September 30, 2021		
Engagement	Rating	Year	Recs open Q3 2021	Recs Due at Q3	Completed	Deferred	Not Yet Due
IT Service Desk		2019	1	1	-	1	-
HR Recruitment Follow-Up		2019	2	2	-	2	-
Fleet Services		2019	1	-	-	-	1
HR Benefits (Phase 1)		2019	3	-	-	-	3
Asset Management		2020	1	-	-	-	1
Transit Operations		2020	6	2	2	-	4
Cyber Security Assessment	N/A	2020	7	2	-	2	5
Building Design & Construction	N/A	2020	2	-	-	-	2
HR Benefits (Phase 2)		2021	5	5	1	4	-
A2G Remediation Testing Review	N/A	2021	2	1	-	1	1
PerfectMind Remediation Testing Review	N/A	2021	2	1	-	1	1
Executive Expenses		2021	4	3	3	-	1
Snow Removal		2021	6	-	2*	-	4
Corporate Governance		2021	15	1	-	1	14
Emergency Expenses		2021	7	-	3**	-	4
Vendor Performance Management		2021	4	-	-	-	4
TOTAL			68	18	11	12	45

*means completed in advance of target completion date


































**means completed at time of audit

APPENDIX 2- Management Action Plan Status Details as of September 30, 2021

Legend	
In progress	
Completed	
Deferred	
In progress- delayed	
Expected completion	

Audit and Finding/Issue	Q3 2021	Q4 2021	2022
IT Service Desk Out of Hours System Issues are not Recorded			x
HR Recruitment Policies & Procedures Require Review and Update			x
HR Recruitment Policies & Procedures Require Review and Update			x
Fleet Services Frozen Vehicle Data Units			
HR Benefits (Phase 1) Policies & Procedures are not current			x
HR Benefits (Phase 1) Validation of Practitioners for STD			x
HR Benefits (Phase 1) Validation of Practitioners for STD			x
Asset Management Key person dependency risk			
Transit Operations Scrap Sales & Potential Exposure			x
Transit Operations Inventory Parts Identification Process		x	x
Transit Operations Physical Inventory Management		x	x
Transit Operations Inventory management systems are not integrated			
Transit Operations Fare Collection and Enforcement			x
Transit Operations			

Audit and Finding/Issue	Q3 2021	Q4 2021	2022
Attendance cards Mechanics and Stock Keepers			
Cyber Security Patch management deficiencies	●	○	x
Cyber Security Password strength	●	○	x
Cyber Security Limited security awareness training and testing	●	●	○
Cyber Security Limited network segregation	●	●	○
Cyber Security Limited network traffic decryption/ inspection	●	●	○
Cyber Security Phishing tests are not performed across the organization	●	●	○
Cyber Security IT Service Continuity Management Planning is in its early stages of development	●	●	○
Building Design & Constructions SOP Development & Identification of Mandatory Documentation	●	○	x
Building Design & Construction Compliance Review & Training	●	○	○
HR Benefits (Phase 2) Management oversight of plan changes	●	○	x
HR Benefits (Phase 2) Management oversight of plan changes	●	○	x
HR Benefits (Phase 2) Gaps in group benefit invoice review	●	○	x
HR Benefits (Phase 2) Gaps in group benefit invoice review	●	○	x
HR Benefits (Phase 2) Service performance reviews	●	x	x
A2G Process Review	●	○	x
A2G Internal Controls	●	○	x
PerfectMind Process Review	●	○	x
PerfectMind Internal Controls	●	○	x
Executive Expenses Support for converted amount of out of country expenses not always included.	●	○	x

Audit and Finding/Issue	Q3 2021	Q4 2021	2022
Executive Expenses System controls in AgilePoint need to be strengthened		x	x
Executive Expenses Expense forms exceeding the allowable variance do not always receive "variance approval"		x	x
Executive Expenses AgilePoint does not flag expense forms (requiring pre-approval) created after an event has already taken place		x	x
Snow Removal Liquidity damage clauses were not comprehensively defined in contracts			2025
Snow Removal Vendor performance was not reviewed for certain contracts			
Snow Removal Inadequate information to validate the service provided			x
Snow Removal Workplace Safety & Insurance Board (WSIB) and Insurance Certificates were not available or expired		x	x
Snow Removal Lack of formal log for Materials Reconciliation		x	x
Snow Removal Weighing of the material is done at the origin rather than at the destination.			
Corporate Governance Enterprise Risk Management (ERM)			
Corporate Governance Enterprise Risk Management (ERM)			
Corporate Governance Enterprise Risk Management (ERM)			
Corporate Governance Enterprise Risk Management (ERM)			
Corporate Governance Enterprise Risk Management (ERM)			
Corporate Governance Corporate Policy Review			
Corporate Governance Records Management Retention and Disposal			
Corporate Governance			

Audit and Finding/Issue	Q3 2021	Q4 2021	2022
Records Management Retention and Disposal			
Corporate Governance Records Management Retention and Disposal	●	●	○
Corporate Governance Exercise of Delegation of Powers and Authorities	●	○	x
Corporate Governance Council Code of Conduct for Council Acknowledgement and Review	●	○	x
Corporate Governance Council Code of Conduct for Council Acknowledgement and Review	●	●	○
Corporate Governance Lack of Code of Conduct Coverage for Citizen Appointees	●	●	○
Corporate Governance Lack of common policy to address to complaints	●	○	x
Emergency Expenses Invoice Approval Process needs to be strengthened.	●	○	x
Emergency Expenses Invoice Approval Process needs to be strengthened.	●	●	○
Emergency Expenses COVID related expenses not coded to an emergency department.	Completed at time of audit	x	x
Emergency Expenses COVID related expenses not coded to an emergency department.	Completed at time of audit	x	x
Emergency Expenses Required documentation from vendors is not always tracked.	●	○	x
Emergency Expenses Required documentation from vendors is not always tracked.	Completed at time of audit	x	x
Emergency Expenses Required documentation from vendors is not always tracked.	●	○	x
Vendor Performance Vendor Performance Evaluation Effectiveness	●	●	○
Vendor Performance Vendor Performance Evaluation Effectiveness	●	●	○
Vendor Performance	●	●	○

Audit and Finding/Issue	Q3 2021	Q4 2021	2022
Oversight and Utilization of Vendor Performance Evaluation Data			
Vendor Performance Oversight and Utilization of Vendor Performance Evaluation Data	●	●	○

Date: 2021-11-15

Subject: **Vendor Performance Management Audit**

Contact: Richard Gervais, Acting Director, Internal Audit, (905) 874 3836,
Richard.Gervais@brampton.ca

Report Number: CAO's Office-2021-1239

Significant Improvement Required**Executive Summary:**

Internal Audit undertook a review of vendor performance processes across the organization.

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

During our review, we observed the following strengths:

- Contracts include clear obligation requirements and terms that allow the City to take appropriate action if goods or services are not delivered or provided.

Internal Audit discussed the following improvement opportunities with Management:



- Vendor Performance scorecards used to evaluate vendors are not being consistently filled out by contract managers within operating departments.
- Improved management oversight is needed to monitor overall compliance and effectiveness of the Vendor Performance Evaluation program.
- Integration of electronic workflows should be considered to streamline the data collection process and facilitate utilization of the information for management decisions.

Other Matters

In the "Other Matters" section of **Appendix 1**, we noted issues observed in the audit which pose no or low future risk, but should still be considered by Management.

These issues and associated management action plans are explained in more detail within the body of this report.

Internal Audit discussed the following improvement opportunities with Corporate Support Services Management:

Process	Finding	Rating
1. Vendor Performance Evaluation (VPE) Effectiveness	VPE scorecards are not being consistently completed in accordance with the SOP. Without vendor evaluation, there is a risk that the City is unable to rectify poor performance and take appropriate action.	
2. Oversight controls	Lack of centralized controls to monitor completeness and reporting of vendor performance evaluation performed at the department level.	

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:

Significant Improvement is Required by management to strengthen oversight over vendor performance management processes.

The overall report rating is determined as per the criteria for audit report rating explained in **Appendix 3**.

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Submitted by:

David Barrick
Chief Administrative Officer

Attachments:

Appendix 1: Vendor Performance Management Audit 2021 Report
Appendix 2: Criteria for Evaluating Audit Findings
Appendix 3: Criteria for Audit Report Rating

City of Brampton Vendor Performance Management Audit– Final Audit Report
Private & Confidential

Audit Name	City of Brampton, Vendor Performance Management Audit		
Sponsor(s)	Michael Davidson, Commissioner, Corporate Support Services Gina Rebancos, Director, Purchasing Diane Oliveira, Manager, Purchasing Claudia Santeramo, Manager, Procurement Performance		
Business Unit	Purchasing, Corporate Support Services	Date Issued:	November 15, 2021

1.0 Executive Summary

Audit Report Rating: Processes and controls over Vendor Performance are rated as “Significant Improvement Required”. See **Appendix 2** for the criteria for Audit Report Rating.

Inherent risk was evaluated as high given the high dollar value of active and closed contracts during our review period.

During our review, we observed the following strengths across the organization:

- Contracts include clear obligation requirements and terms that allow the City to take appropriate action if goods or services are not delivered or provided.

Internal Audit discussed the following improvement opportunities with Management:

- Vendor Performance scorecards used to evaluate vendors are not being consistently filled out by contract managers within operating departments.
- Improved management oversight is needed to monitor overall compliance and effectiveness of the Vendor Performance Evaluation program.
- Integration of electronic workflows should be considered to streamline the data collection process and facilitate utilization of the information for management decisions.

In the other matters section, we note issues observed in the audit which pose no or low future risk, but should still be considered by Management.

These issues and associated management action plans are explained in more detail within the body of this report.

2.0 Background, Objectives, and Scope

Background

The 2021 Internal Audit work plan included an audit of Vendor Performance Management.

The City of Brampton (“City”) procures a wide range of goods and services in order to support both the City’s operations and to ensure delivery of services.

At a glance:

- As of May 12, 2021, there were 1,186 active contracts for a total contract value of \$1.14B (with total associated billing of \$814M).
- 383 contracts with a value of \$375M (with total associated billing of \$318M) were closed/completed during the audit review period of May 1, 2020 to April 30, 2021.

Effective vendor performance management is critical for ensuring vendors are delivering the goods or services required to meet budget, timeline and quality expectations while providing value for money to the City. In order to manage vendor performance, Purchasing introduced the Vendor Performance Evaluation Standard Operating Procedures (“VPE”, “SOP”), which serves as a formal tool to assess vendor performance, provide feedback, acknowledge satisfactory performance, and rectify any deficiencies.

The VPE process is managed at the Purchasing division level, while individual vendor evaluations for each contract is conducted by the respective department’s Contract Managers using “scorecards” at intervals defined within the SOP. Poor performance may result in the vendor’s suspension from future bidding opportunities for a one or three year period.

At the time of audit, the VPE applies to all construction and construction-related consulting contracts with a value of \$100,000 or greater. As of August 1, 2021, this has been expanded to include service contracts. Regardless of whether a contract falls under the application of the SOP, for all contracts, Contract Managers will monitor performance and evaluate vendors using their own methodology to ensure goods and services received are meeting their expectations.

Objectives

The objective of the audit was to evaluate the processes and controls in place over vendor performance management, to identify strengths and weaknesses, and provide recommendations for improvement.

The period under review includes all active contracts as of May 2021 and contracts closed during the period of May 1, 2020 to April 30, 2021.

This scope of our review included:

- Reviewing policies, procedures, and guidelines in place to manage vendor performance across the City
- Assessing compliance to existing policies and procedures over vendor performance
- Reviewing vendor management processes in place for contracts selected on a sample basis
- Assessment of processes in place to act on any performance issue

Scope Limitations

The scope of our review did not include:

- Procurement planning, contract negotiation, and contract awarding process
- Detailed review of the accuracy and completeness of vendor invoices (i.e. financial aspects)
- Contracts examined in detail in the past two years, such as Snow Removal, Contracted Cleaning, Transit Advertising, Employee Benefits

3.0 Detailed Audit Findings and Proposed Management Actions

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
1	<p><u>Vendor Performance Evaluation Effectiveness</u></p> <p>The Vendor Performance Evaluation (VPE) is the City's internal tool for evaluating vendor performance, providing feedback, improving performance improvement and acknowledging satisfactory or above average performance when considering eligibility for future contract awards.</p> <p>The VPE SOP came into effect on July 1, 2018 and was applicable for construction and related consulting contracts. As of August 1, 2021, the scope of the VPE SOP was expanded to cover service contracts.</p> <p>To complete a VPE, Contract Managers (i.e. the employee primarily responsible for the project and evaluating performance) complete the scorecards based on frequencies defined in the VPE SOP.</p> <p>Internal Audit reviewed 40 active and closed construction and related consulting contracts (total value of \$110M) within three Public Works and Engineering divisions for compliance with the Vendor Performance Evaluation SOP, including whether vendor scorecards were completed based on required frequencies and whether the scorecards were forwarded to Purchasing for further action.</p> <p>Overall, the VPE scorecards are not being consistently completed based on the defined</p>	P1	<p>1a. Purchasing should conduct refresher training with Contract Managers on a regular basis to ensure the VPE SOP is complied with.</p> <p>1b. Operating Departments should ensure Contract Managers within their areas are aware of Vendor Performance Evaluation obligations.</p>	<p>1a. Agreed.</p> <p>Purchasing will establish VPE training program to be provided semi-annually to Contract Managers starting Q1 2022.</p> <p><i>Due date: Q1 2022</i></p> <p>1b. Agreed.</p> <p>See responses by division management below.</p> <p><u>Building Design and Construction</u></p> <p>1. Adopt the Corporate VPE SOP by creating a BDC Divisional SOP. This will identify BDC's additional tasks, establishing internal database for performance tracking and identifying Contract Manager's roles and responsibilities.</p> <p>2. Request Purchasing to provide updated training to BDC staff regarding Vendor Performance timelines and</p>	<p>Manager, Purchasing</p> <p>Business Advisor, Building Design & Construction</p>

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
	<p>intervals within the SOP and they are not always forwarded to Purchasing where the information can be utilized for decision-making or further action.</p> <p><i>Detailed results from Public Works and Engineering:</i></p> <ul style="list-style-type: none"> For Building Design & Construction, 4 contracts (total value of \$11.5M) did not have a sufficient number of VPEs completed for the interim and final evaluation. 4 contracts (total value of \$4.9M) did not have any VPEs completed, although vendors had completed the work substantially and billed the City. For Road Maintenance Operations and Fleet, 4 contracts (total value of \$3.2M) did not have any VPEs completed although vendors had completed the work substantially and billed the City. There was 1 contract where the scorecard was not forward to Purchasing. For Capital Works, 2 contracts (total value of \$1.9M) did not have any VPEs completed although vendors had completed the work substantially and billed the City. 7 contracts (total value of \$8.5M) did not have a sufficient number of VPEs completed for the interim and final evaluation. In 5 out of 7 contracts, completed evaluations for these contracts were not forwarded to Purchasing. <p>We discussed with the operating departments the reasons for non-compliance with the SOP, which included:</p>			<p>responsibilities.</p> <p>3. BDC Hiring Managers to ensure new recruits receive information and training regarding Vendor Performance requirements. Upon completion, this training is to be documented for historical information purposes.</p> <p>4. Engage Purchasing to identify if we can receive from them, on a bi-annual basis, a report noting contracts over \$100,000 and # of VPEs received. This will allow BDC to review the contracts with no VPEs and rectify.</p> <p>5. VPEs have been included as part of our Mandatory Project Documentation SOP and will be audited on a bi-annual basis during BDC's Internal Mini Audit.</p> <p>6. Meetings with Purchasing will be scheduled to discuss effectiveness of the Corporate Performance Management program, specifically as it relates to concerns within PWE.</p>	

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
	<ul style="list-style-type: none"> Inadequate oversight and monitoring controls over VPE requirement including compliance to defined frequency. Frequency of VPE evaluations required is too burdensome administratively for contract managers to complete Staff were unaware of SOP requirements, and used other established methods to monitor or evaluate contractor performance. Staff are now aware of the scorecard and SOP and will use it going forward. Reliance on contractor properly vetted through pre-qualification program. Communication issues with vendor (non-responsive), so unable to finalize scorecards. Inadequate coordination and communication with Purchasing to share finalized VPEs. <p><u>Potential Exposure</u> Without all scorecards being completed for contracts under the scope of the VPE program and sent to Purchasing on a timely basis, there is a risk that the City is unable to rectify poor performance and take appropriate action, such as suspending vendors from future procurements.</p>			<p><i>Due date: Q1 2022</i></p> <p><u>Roads Maintenance, Operations and Fleet</u></p> <p>Traffic Services Supervisors have set up meetings to review the Vendor Performance form and SOP with staff. These meetings will take place before the end of September, 2021.</p> <p>Staff will be completing evaluations as per the SOP moving forward, and will be meeting with existing vendors to update them on the performance review requirement. This will be undertaken by the end of October, 2021.</p> <p>Contract Administration SOP was created for Contract Services, this includes identification of Vendor Performance requirements</p> <p><i>Due date: Q4 2021</i></p> <p><u>Capital Works</u></p> <p>The Capital Works Division has developed a spreadsheet to track the projects as the PO's are</p>	<p>Director, Roads, Maintenance, Operations & Fleet</p> <p>Director, Capital Works</p>

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
				<p>issued and the Contract Managers will be including information when they complete the Vendor Performance Evaluation, including the date it is sent to Purchasing (sample attached). Also a meeting has been set up with Purchasing in October with divisions in Public Works & Engineering to see how to improve the SOP.</p> <p>A training session will also be set up with staff later in the year to discuss the SOP and the forms to ensure everyone is aware of the process.</p> <p><i>Due date: Q4 2021</i></p>	
2	<p><u>Oversight and Utilization of Vendor Performance Evaluation Data</u></p> <p>Management oversight of the vendor performance evaluation process is required to ensure it is operating effectively and allow full utilization of the data collected to inform procurement decisions.</p> <p>Currently, Purchasing does not systematically check for the completeness of scorecards against other sources (such as Purchase Order listings). As a result (and noted in Observation #1), scorecards that were completed by Contract</p>	P3	<p>2. Develop methods to monitor the adequacy of the Vendor Performance Evaluations.</p> <p>3. Implement an electronic workflow to manage Vendor Performance Evaluations to:</p> <ul style="list-style-type: none"> incorporate automated reminders to increase compliance rate improve timeliness of collecting evaluations from departments enable monitoring effectiveness of the VPE process 	<p>2. Agreed.</p> <p>Management will establish central point of contact for submission of Vendor Performance Evaluations, and share access to VPE tracking report with departments.</p> <p>Management will explore interim process to verify completeness and</p>	Manager, Purchasing

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
	<p>Managers were sometimes filed only within the Department's project files and not forwarded to Purchasing, or the scorecards were not completed entirely.</p> <p>Once scorecards are received by Purchasing, it is tracked in a master spreadsheet that is manually updated for scorecard data. Internal Audit did not identify any errors with the master spreadsheet. There is currently no reporting or analysis of vendor performance data once received, and the data that is currently collected is not shared amongst the organization.</p> <p>Based on our discussions with Departments, there is an assumption that Purchasing will inform them as needed if they are engaging with poorly performing vendors. Departments have also expressed an interest in being able to "look up" vendor scores and histories to assist them in evaluating bidders on future procurement opportunities.</p> <p><u>Potential exposure</u></p> <p>Without timely and complete vendor performance evaluation data, the City could be entering into contractual agreements that pose a higher business risk due to vendors with poor performance history.</p>		<ul style="list-style-type: none"> allow for overall reporting and analysis Facilitate sharing of information across the organization. 	<p>submission of scorecards against Purchase Orders.</p> <p><i>Due date: Q1 2022</i></p> <p>3. Implementation of electronic Vendor Performance module to automate, streamline and monitor evaluations for compliance with SOP. Automation will allow for analysis and reporting to inform decisions.</p> <p><i>Due date: Q4 2022</i></p>	Manager, Procurement Performance

4.0 Other Matters	
Ref #	Observations and Comments
1	Internal Audit reviewed the current scorecard templates, and discussed the experience of using the VPE scorecards with Contract Managers. This was done with the objective of gathering opportunities for improvement, which should in turn increase the likelihood that the VPEs are being conducted entirely, consistently, and in a timely manner. Feedback included: using electronic workflows that will automatically submit forms, flexibility to weigh rating categories based on importance, clarifying the scoring system (unclear if it was out of 9 or 10), and more in-depth guidance on scoring. Some of these points have been incorporated into the recommendations above.

Appendix 1 – Criteria for Evaluating Audit Findings

Priority Rating	Description
Priority 1 (P1)	<p>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.</p> <ul style="list-style-type: none"> • Financial impact of both actual and potential losses is material • 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 • 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 • 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 • 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 • Fraud by management or staff, as defined by the Corporate Fraud Prevention Policy (Policy 2.14)
Priority 2 (P2)	<p>One or more of the following conditions exist that require attention by senior management. Corrective actions by management should be implemented.</p> <ul style="list-style-type: none"> • Financial impact of both actual and potential losses is significant • 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 • 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 • Management's actions, or lack thereof, have impacted or delayed a key initiative, and the funding for such initiative may be compromised • 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 • Management failed to comply with Council-approved policies, by-laws, regulatory requirements, etc., which may result in penalties • Management failed to identify or remedy key control deficiencies that may impact the effectiveness of anti-fraud programs

Appendix 1 – Criteria for Evaluating Audit Findings	
Priority Rating	Description
(Priority 3) P3	<p>One or more of the following conditions exist that require attention by management. Corrective actions by management should be implemented.</p> <ul style="list-style-type: none"> • Financial impact of both actual and potential losses is insignificant • A non-key process or control, if compromised, may require some efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks • 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 • Minimal risk of non-compliance to Council-approved policies, by-laws, regulatory requirements, etc. • Low impact to the City's strategic or key initiative • Low impact to the City's operations

Appendix 2 – Criteria for Audit Report Rating

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

Report Distribution List	
David Barrick	Chief Administrative Officer
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Mike Parks	Director, Road Maintenance, Operations & Fleet
Tim Kocialek	Director, Capital Works

Internal Audit Team	
Richard Gervais	Acting Director, Internal Audit
Gurpreet Singh	Acting Director, Internal Audit
Mary Chu	Senior Internal Auditor

City of Brampton Vendor Performance Management Audit – Final Audit Report
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Appendix 2 – Criteria for Evaluating Audit Findings

Priority Rating	Description
Priority 1 (P1)	<p>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.</p> <ul style="list-style-type: none"> • Financial impact of both actual and potential losses is material • 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 • 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 • 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 • 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 • Fraud by management or staff, as defined by the Corporate Fraud Prevention Policy (Policy 2.14)

Priority 2 (P2)	<p>One or more of the following conditions exist that require attention by senior management. Corrective actions by management should be implemented.</p> <ul style="list-style-type: none"> • Financial impact of both actual and potential losses is significant • 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 • 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 • Management's actions, or lack thereof, have impacted or delayed a key initiative, and the funding for such initiative may be compromised • 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 • Management failed to comply with Council-approved policies, by-laws, regulatory requirements, etc., which may result in penalties • Management failed to identify or remedy key control deficiencies that may impact the effectiveness of anti-fraud programs
(Priority 3) P3	<p>One or more of the following conditions exist that require attention by management. Corrective actions by management should be implemented.</p> <ul style="list-style-type: none"> • Financial impact of both actual and potential losses is insignificant • A non-key process or control, if compromised, may require some efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks • 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 • Minimal risk of non-compliance to Council-approved policies, by-laws, regulatory requirements, etc. • Low impact to the City's strategic or key initiative • Low impact to the City's operations

City of Brampton Vendor Performance Management Audit – Final Audit Report
Private & Confidential
Appendix 3 – Criteria for Audit Report Rating

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

Date: 2021-11-24

Subject: KPMG Audit Plan for the 2021 Fiscal Year

Contact: Maja Kuzmanov, Accounting Manager

Report Number: Corporate Support Services-2021-1258

Recommendations:

1. That the report from Maja Kuzmanov, Accounting Manager, Finance, Corporate Services dated November 24, 2021 to Audit Committee meeting of December 7, 2021 re: “**KPMG Audit Plan for the 2021 Fiscal Year**”, be received and
2. That the Audit Planning Report for the Year Ending December 31st, 2021, 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 31st, 2021.**
- **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 meeting regarding the content of this report.**

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 31st, 2021.

There are no new PSAB standards applicable for the current year ending December 31, 2021.

KPMG LLP will present an overview of the audit which will include materiality, 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 \$20.0 million (2020 - \$20.2 million). KPMG LLP will report to the Audit Committee any corrected and uncorrected misstatements greater than \$1.0 million.

Corporate Implications:

There are no corporate implications resulting from this report.

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, 2021 in accordance with the Accepted Auditing Standards.

Authored by:

Reviewed by:

Maja Kuzmanov
Manager, Accounting

Nash Damer
Treasurer

Reviewed and Submitted by:

David Barrick
Chief Administrative Officer

Attachments:

Appendix: KPMG Audit Planning Report for the year ended December 31st, 2021