



Agenda
Audit Committee

The Corporation of the City of Brampton

Date: Monday, June 12, 2023
Time: 2:00 p.m.
Location: Hybrid Meeting - Virtual Option & In-Person in Council Chambers – 4th Floor – City Hall
Members: Regional Councillor D. Keenan, Chair
Regional Councillor P. Vicente, Vice Chair
Regional Councillor N. Kaur Brar
Regional Councillor M. Palleschi
Regional Councillor G. Toor

For inquiries about this agenda, or to make arrangements for accessibility accommodations for persons attending (some advance notice may be required), please contact:
Sonya Pacheco, Legislative Coordinator, Telephone 905.874.2178, TTY 905.874.2130
cityclerksoffice@brampton.ca

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 Meeting Chair will review the relevant agenda items during this section of the meeting to allow Members to identify agenda items for debate and consideration, with the balance to be approved as part of the Consent Motion given the items are generally deemed to be routine and non-controversial.

5. Presentations\Delegations

5.1 Delegation from Maria Khounshnood, Lead Audit Engagement Partner, KPMG LLP, re: 2022 Audit Findings Report and Audited Consolidated Financial Statements

(See Item 7.1 - Appendix D)

5.2 Staff Presentation re: Development Charges 2023

(See Item 6.1 - Appendix 4)

6. Reports - Internal Audit

6.1 Staff Report re: Development Charges 2023

Recommendation

(See Item 5.2)

6.2 Staff Report re: Audit Committee Terms of Reference and Internal Audit Charter

Recommendation

6.3 Staff Report re: Corporate Fraud Governance Structure

Recommendation

6.4 Staff Report re: Internal Audit Work Plan Status Update

To be received

6.5 Staff Report re: Status of Management Action Plans - Q1 2023

To be received

6.6 Staff Report re: Corporate Ethics Hotline Quarterly Report

To be received

7. Reports - Finance

7.1 Staff Report re: 2022 Audited Consolidated Financial Statements for the City of Brampton

Recommendation

(See Item 5.1)

8. Other/New Business

8.1 Discussion Item re: Citizen Member Appointments to Audit Committee

Note: The following recommendation of the Citizen Appointments Committee at its meeting of April 4, 2023 was approved by Council on April 5, 2023:

CAC006-2023

That the Audit Committee assume responsibility for the evaluation and interview process, as appropriate, for citizen member appointments to the Audit Committee.

9. Question Period

10. Public Question Period

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

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

11. Closed Session

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

12. Adjournment

Next Regular Meeting: To be determined



Delegation Request

For Office Use Only:

Meeting Name:

Meeting Date:

Please complete this form for your request to delegate to Council or Committee on a matter where a decision of the Council may be required. Delegations at Council meetings are generally limited to agenda business published with the meeting agenda. Delegations at Committee meetings can relate to new business within the jurisdiction and authority of the City and/or Committee or agenda business published with the meeting agenda. **All delegations are limited to five (5) minutes.**

Attention: City Clerk's Office, City of Brampton, 2 Wellington Street West, Brampton ON L6Y 4R2

Email: cityclerksoffice@brampton.ca Telephone: (905) 874-2100 Fax: (905) 874-2119

Meeting: ☐ City Council ☐ Planning and Development Committee
☐ Committee of Council ☒ Other Committee:

[Audit Committee - June 12, 2023](#)

Meeting Date Requested: [June 12, 2023](#) Agenda Item (if applicable): [2022 Audited Consolidated Financial Statements](#)

Name of Individual(s): [Maria Khounshood](#)

Position/Title:

[Lead Audit Engagement Partner - KPMG](#)

Organization/Person
being represented:

[KPMG LLP](#)

Full Address for Contact: [Vaughan Metropolitan Centre, 100 New
Park Place, Suite #1400, Vaughan, ON,
L4K 0J3](#)

Telephone:

Email:

mkhounshood@kpmg.ca

Subject Matter to be Discussed:	2022 Audit Findings Report and Audited Consolidated Financial Statements
Action Requested:	None

A formal presentation will accompany my delegation: ☐ Yes ☐ No

Presentation format: ☐ PowerPoint File (.ppt) ☐ Adobe File or equivalent (.pdf)
☐ Picture File (.jpg) ☐ Video File (.avi, .mpg)

☐ Other:

Additional printed information/materials will be distributed with my delegation: ☐ Yes ☒ No ☐ Attached

Note: Delegates are requested to provide to the City Clerk's Office **well in advance of the meeting date:**

- (i) 25 copies of all background material and/or presentations for publication with the meeting agenda and /or distribution at the meeting, and
- (ii) the electronic file of the presentation to ensure compatibility with corporate equipment.

Submit by Email

Once this completed form is received by the City Clerk's Office, you will be contacted to confirm your placement on the appropriate meeting agenda.

Personal information on this form is collected under authority of the Municipal Act, SO 2001, c.25 and/or the Planning Act, R.S.O. 1990, c.P.13 and will be used in the preparation of the applicable council/committee agenda and will be attached to the agenda and publicly available at the meeting and on the City's website. Questions about the collection of personal information should be directed to the Deputy City Clerk, Council and Administrative Services, 2 Wellington Street West, Brampton, Ontario, L6Y 4R2, tel. 905-874-2115.

Date: 2023-06-02

Subject: **Development Charges 2023**

Contact: Claire Fang Mu, Director, Internal Audit, (905) 874 2215,
fang.mu@brampton.ca

Report Number: CAO's Office-2023-513

Improvement Required

Recommendations:

1. That the report titled: Development Charges Audit Report 2023, to the Audit Committee Meeting of June 12, 2023, be received and the recommendations contained in **Appendix 1: Development Charges Audit 2023 Report** be approved.

Executive Summary:

The report highlights inefficiencies, control risks, and system limitations in the development charge billing process that could reduce billing accuracy.

The overall audit was rated as **“Improvement Required.”**

The audit noted the following strengths relating to controls and processes around Development Charges;

- In general, development charges are applied correctly and in accordance with relevant by-laws
- Development charge funds collected on behalf of the Region of Peel and the two school boards are remitted as per agreement.
- Processes and system controls are in place to ensure building permits are issued only after all development charges have been paid in full
- Funding activity from development charge reserves to capital projects is reviewed, approved and monitored

The issues and associated management action plans are detailed in the body of the audit report located in **Appendix 1: Development Charges Audit 2023 Report**.

See **Appendix 2** and **Appendix 3** for the criteria for rating findings and audit report rating.

Please also see **Appendix 4** for the presentation slides for this audit report.

Internal Audit discussed the following improvement opportunities with Development Finance:

Process	Finding	Rating
1. Billing – Processing invoices with frozen rates	Staff must manually enter applicable rates and interest charges for invoices with development charge rates that are frozen. Manually entering multiple fields for each invoice line is inefficient and increases the risk of incorrect development charge amounts being billed.	P2
2. Billing – Updating current DC rates to existing invoices	When rates decrease, the system does not automatically apply the new lower rate to existing invoices and the user is not notified of the rate change. The systems limitations to update invoice amounts when rates are reduced increases the risk of billing inaccuracies	P2
3. Billing – Updating development charge rates in AMANDA	Development rates entered into AMANDA, the City's IT system, have not always been vetted and approved. i) A report showing development charge rates in AMANDA is not available in excel, which does not allow for an efficient review of newly entered rates; and ii) Updated rates in AMANDA are not always approved by a Manager	P2
4. Monitoring of Insurance Certificates	Current certificates of insurance are not always on file and follow-up emails to developers requesting updated certificates are sometimes sent months after the policy has expired.	P2
5. Standard Operating Procedures (SOPs)	There are no standard operating procedures (SOPs) within Development Finance. There is a work instructions document, however, it is from 2016 and does not reflect current processes or systems.	P2
These issues and associated management action plans are discussed in more detail in Appendix 1 . These issues are rated as per the criteria described in Appendix 2 .		

Conclusion:

Overall, development charge processes operate effectively, and proper oversight is in place through reviews, approvals and reconciliations. Nothing has come to our attention that indicates that development charges are applied incorrectly or contradict the development charges By-laws. However, we have noted the following combination of inefficiencies, control risks, and system limitations in the development charge billing process that could reduce billing accuracy:

- Inefficiency in processing invoices with frozen rates due to system limitations
- Lack of automatic adjustments to development charges when rates decrease
- Lack of comprehensive controls in the process of updating development charge rates in the system

Staff should implement IT enhancements and strengthen the rate update process to improve billing controls and efficiency.

Additionally, staff should improve the monitoring of insurance coverage to ensure that the City always has updated Certificates of Insurance on file for developments.

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

Authored by:

Brad Cecile, Manager
Internal Audit

Reviewed by:

Claire Fang Mu, Director
Internal Audit

Attachments:

Appendix 1: Development Charges Audit Report 2023
Appendix 2: Criteria for Evaluating Audit Findings
Appendix 3: Criteria for Audit Report Rating
Appendix 4: Presentation Slides

City of Brampton Internal Audit – Development Charges
Private & Confidential

Audit Name	Development Charges		
Sponsor(s)	Alex Milojevic – Commissioner, Corporate Support Services; Nash Damer – Treasurer; Maja Kuzmanov - Sr. Manager, Accounting Services and Deputy Treasurer; Martin Finnegan - Sr. Manager, Revenue; Raghuram Sanal Kumar - Manager, Capital Development & Finance		
Business Unit(s)	Revenue Services and Accounting Services	Date Issued:	May 23, 2023

1.0 Executive Summary

Audit rating: Processes around Development Charges activities were rated as "Improvement Required" (See **Appendix 3** for the criteria for audit report rating).

Based on our review of processes, reports and sample testing, we observed the following strengths:

- In general, development charges are applied correctly and in accordance with relevant by-laws
- Development charge funds collected on behalf of the Region of Peel and the two school boards are remitted on a timely basis
- Processes and system controls are in place to ensure building permits are issued only after all development charges have been paid in full
- Funding activity from development charge reserves to capital projects is reviewed, approved and monitored

Internal Audit staff discussed the following improvement opportunities with Management:

- Processing invoices with frozen development charge rates is manual and inefficient
- System control to automatically apply current rates is not functioning when rates decrease
- Process for updating development charge rates in the system is incomplete
- Current certificates of insurance are not always on file
- Standard Operating Procedures are not reviewed and updated timely

Conclusion:

Overall, development charge processes are operating effectively, and proper oversight is in place through reviews, approvals and reconciliations. Nothing has come to our attention that indicates that development charges are applied incorrectly or contradict the development charges By-laws. However, we have noted the following combination of inefficiencies, control risks, and system limitations in the development charge billing process that could reduce billing accuracy:

- Inefficiency in processing invoices with frozen rates due to system limitations as described in finding number 1
- Lack of automatic adjustments to development charges when rates decrease due to system limitations as described in finding number 2
- Lack of comprehensive controls in the process of updating development charge rates in the system as described in finding number 3

Staff should implement IT enhancements and strengthen the rate update process to improve billing controls and efficiency.

Additionally, staff should improve the monitoring of insurance coverage to ensure that the City always has updated Certificates of Insurance on file for developments. This is described in finding number 4.

Acting on the recommendations below will improve the City's administration of development charges.

2.0 Background, Objectives, and Scope

Background

The Province enacted the Development Charges Act in 1997 which granted municipalities the authority to develop by-laws to impose development charges.

Development charges are applied to all new developments and redevelopments in the City (Residential, Industrial and Commercial). These charges are an important source of revenue for the City to finance the additional infrastructure needed to service growth.

The Development Charges Act requires that the City undertake a background study to identify infrastructure needs resulting from growth and the associated costs before adopting a by-law. The Act requires municipalities to adopt a development charges (DC) by-law every ten years, at a minimum. As a result, City conducts development charge studies every five years with the most recent background study completed in 2019.

The City of Brampton adopted the current development charges by-laws in 2019. The rates outlined in the by-laws were set based on the 2019 background study. There are 8 by-laws (129-General Government, 130-Library Services, 131-Recreation Services, 132-Fire Services, 133-Public Works, 134-Transit Services, 135-Roads and 136-Brampton West; North-South Transportation Corridor).

The *Development Charges Act* requires the municipality's Treasurer to provide City Council with a statement about each Reserve Fund established under the Act each year. The statement reflects the opening and closing balances of each year, the current year's distribution of the DC proceeds, any financing transfers and the interest earned on the fund.

Revenue collected for Development Charges over the last three years was \$66M (2020), \$86M (2021) and \$74M (2022).

In order to improve housing supply and affordability, the Province of Ontario introduced sweeping changes through two pieces of legislation - Bill 108 *More Homes, More Choice Act*, 2019 and Bill 23, the *More Homes Built Faster Act*, 2022. The provincial changes will create significant administrative and funding challenges for Ontario Municipalities including Brampton. The City is currently awaiting details on how the province will address the shortfall in infrastructure funding resulting from these Bills.

The development charges administration process is primarily the responsibility of the City's Development Finance Unit but also involves Accounting Services and Realty Services.

The Development Finance Unit, consisting of five employees, is responsible for ensuring that all financial conditions per the site plan or subdivision agreement are complete, indexing development charge rates as required, calculating development charges, invoicing developers and entering development charges data into the permit and compliance software (Amanda).

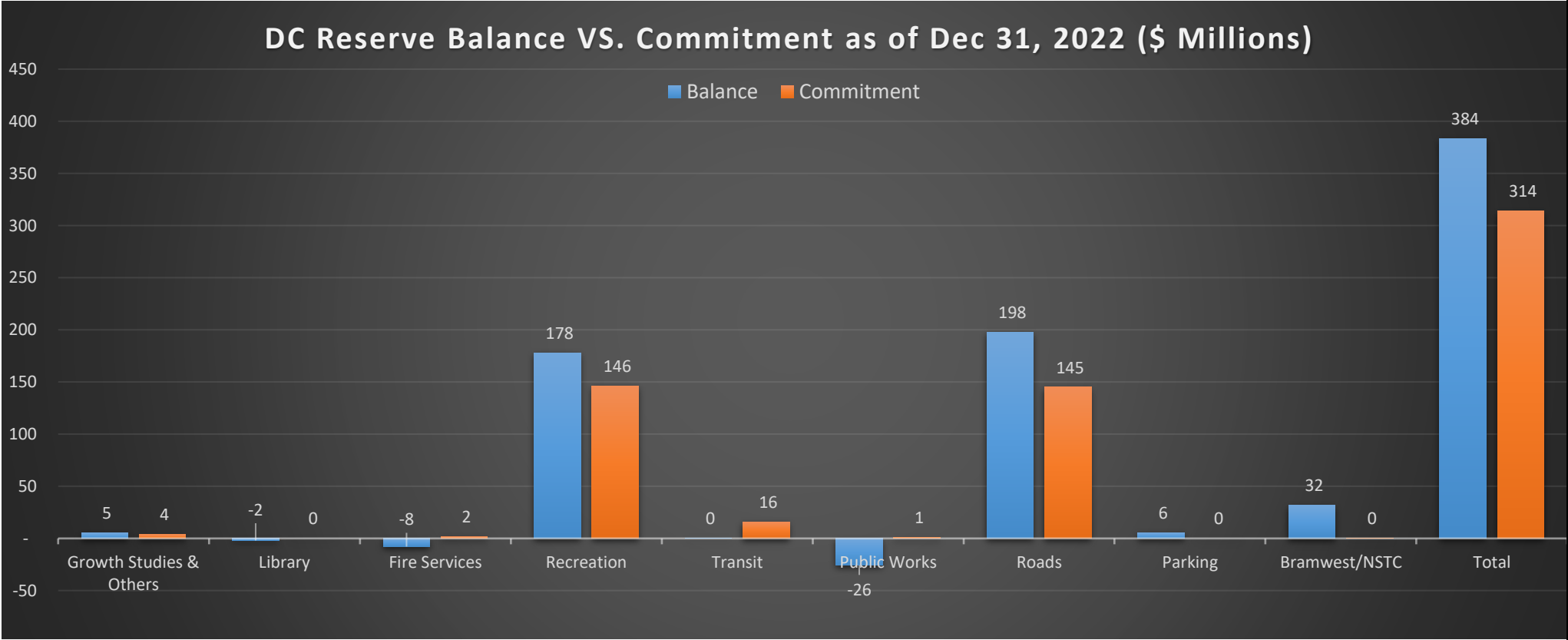
Accounting Services is responsible for recording development charge receipts in the financial statements, completing accounting entries related to capital projects and reporting on the development charge reserve funds.

For applications where the City elects that parkland requirements should be satisfied through a cash-in-lieu (CIL) of parkland payment, the value of the required payment is determined by Realty Services in response to a request from Park Planning & Development. CIL of parkland is the payment of funds equivalent to the value of land that the Developer would have been required to convey to the City for park purposes. The requirements for parkland dedication of new developments is defined in the Parkland Dedication By-law.

In most cases, development charges are payable and collected on the date that a building permit is issued, however, development charges for rental, institutional and non-profit housing projects are deferred to occupancy and payable in installments with interest in accordance with section 26.1 of the Development Charges Act. Cash in lieu of parkland must be paid prior to the developer receiving a building permit.

The City also collects development charges on behalf of Region of Peel, Peel District School board and Dufferin-Peel Catholic District School Board. The amounts and conditions of these charges are set out in their respective Development Charge By-laws. All funds collected for these organizations are transferred to them the following month.

As of December 31, 2022, the balance of Development Charges Reserve Funds is \$384 million and the commitments to capital projects from the Development Charges Reserve Funds is \$314 million meaning 81% of the Development Charges Reserve Funds balance has already been committed to capital projects.



In May 2023, the province announced that it will be auditing development charges and other funding sources of six Ontario Municipalities, including Brampton. The purpose of the audit is to understand any potential or perceived impacts of Bill 23 with regards to changes to development related fees and charges. It will also evaluate the accountability, effectiveness and efficiency of the activities and decisions that support investments in growth-related infrastructure.

Objectives

The objective of this engagement was to evaluate the effectiveness of processes and controls around Development Charges and ensure compliance to legislation, policies and procedures. The audit focused on assessing whether:

- Development charges are calculated in accordance with relevant by-laws, Development Charges Act and semi-annual rate updates based on the non-residential building construction price index
- Policies and procedures relevant to development charges are current and being followed
- Insurance certificate and letter of credit or security deposit are in place for each development and meet required standards
- Building permits are issued only after all required documents are in place and all charges have been collected, where applicable
- Process is in place to ensure that all development charges payments have been made for all applicable property developments
- Cash in lieu of parkland charges is supported and approved
- Development charges receipts are recorded in the applicable general ledger accounts
- Reserve funds are allocated into capital reserve fund categories in accordance with the City's development charges by-laws
- Reserve fund bank reconciliations are performed and approved on a monthly basis
- Interest earned from the reserve bank accounts is allocated appropriately to the capital expenditure reserve fund categories
- Development charges collected on behalf of the Region of Peel and the two school boards are accurate and transferred timely

Scope

Our audit focused on development charge activity from January 1, 2020, to December 31, 2022.

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

- Assessment of the development charges background study
- Development user fees (Audited in 2022)
- Processes related to planning, design or construction of developments
- Information technology general controls ("ITGCs") within Development Finance's systems and databases

3.0 Detailed Audit Findings, Recommendations, and Proposed Management Actions

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
1	<p>Processing invoices where development charge rates have been frozen is manual & inefficient</p> <p>In 2019, the “More Homes, More Choice Act” (Bill 108) was introduced which allows developers to “Freeze” development charge rates at an earlier stage of the development process. It also gives Municipalities the right to apply interest to any development charges that have been frozen. In 2020, a development charge interest rate policy was passed by the City which outlines that an interest rate of 5.5% will be applied to all developments with rate freezes.</p> <p>The Development Charge Team currently processes development charge invoices with frozen rates and the related interest charges manually. Staff enter the applicable rates and interest charges in each development charge category in AMANDA – approximately 20 data fields for each invoice.</p> <p>The above process is inefficient and prone to errors. We selected 25 samples for testing. One of the samples did not have the correct sub-total amount due to a manual keying error although the total amount of the invoice was correct.</p>	P2	City Council requests that the Treasurer ensure system capabilities are expanded in order to automate the processing of development charges invoices where rates are frozen and interest is applied.	<p>Manager, Capital & Development Finance will consult with IT staff (AMANDA) to have the process automated by Q1 2024*.</p> <p><i>*Subject to availability of IT resources</i></p>

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	<p>Potential Impact: Manually entering multiple fields for each invoice line is inefficient and increases the risk of incorrect development charge amounts being billed.</p> <p>Being able to select development charge rates from prior periods and the automatic allocation of interest to development charge funds will ensure the accuracy and efficiency of billing.</p>			
2	<p>System control to automatically apply current rates is not functioning when rates decrease</p> <p>When the City of Brampton or Region of Peel update their development charge rates, the new rates are manually entered in the system and amounts on existing invoices are automatically updated based on the new rates.</p> <p>Our discussion with staff and review of the process found the following:</p> <p>When rates increase, the system will automatically apply the new higher rate to existing invoices and notify the user that an additional amount or "Top Up" has been applied.</p> <p>When rates decrease, however, the system does not automatically apply the new lower rate to existing invoices and the user is not notified of the rate change.</p> <p>When Bill 23 passed on November 28th, 2022, certain services that used to be funded by</p>	P2	City Council requests the Treasurer to implement system controls to ensure invoices are automatically adjusted to account for both development charge rate increases and decreases.	<p>Manager, Capital & Development Finance will consult with IT staff (AMANDA) to have the process automated by Q1 2024*.</p> <p><i>*Subject to availability of IT resources</i></p>

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	<p>development charges were no longer eligible for funding. This resulted in an overall rate decrease of development charges applied by the Region of Peel.</p> <p>The new lower rates were updated in the system on Nov. 30, when there were nine unpaid invoices for four developers. However, the system did not automatically adjust the invoices with the new lower rates and overcharged the four developers by a total of \$288K. Prior to our audit, City staff was notified of the error by Region of Peel and processed credits to correct the overpayments in 2023.</p> <p>Enhancing system controls to automatically apply new rates for both rate increases and decreases will ensure billing accuracy.</p> <p>Potential Impact: The system's limitations to updating invoice amounts when rates are reduced increase the risk of billing inaccuracies.</p>			
3	<p>Development charges rate updates in the system are not properly vetted and approved</p> <p>On February 1 and August 1 of each year, development charge rates for the City of Brampton are adjusted based on Statistics Canada's non-residential building construction price index. Indexing rates helps to mitigate the impact of inflation on future growth-related construction costs. The new rates are entered into a spreadsheet before being manually entered into AMANDA.</p>	P2	City Council requests that the Treasurer ensure that all updates of development charge rates in the system are properly vetted and approved.	<p>1. Manager, Capital & Development Finance will work with IT staff (Amanda) to produce a report from Amanda that will show the entered rates for comparison with the ones in the indexing spreadsheet by Q1 2024.</p> <p>2. Manager, Capital & Development Finance will develop or amend SOP to ensure Manager or designee approves rates and is</p>

Re f #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	<p>Our review of the rate update process found that within the current audit period rate updates were timely and accurate. The following however was also noted:</p> <p>1) After the updated rates have been manually entered in AMANDA, a second individual visually compares the rates in the spreadsheet with the rates in AMANDA to confirm accuracy.</p> <p>A report showing the rates in AMANDA is not available in excel format. Since rate updates require over 180 fields to be entered across 15 areas, a spreadsheet would allow staff to efficiently verify the accuracy of new rates line by line.</p> <p>2) Updated rates in AMANDA are not always approved by a Manager. For two of the last three updates, the rates were approved in the system by the same individual who entered the rates.</p> <p>It was verified that at the time of these rate changes the Manager did not have access to the system.</p> <p>When updating development charge rates, even small errors could have a significant impact on development charges so staff should implement comprehensive controls to ensure the accuracy of rate updates.</p> <p>Potential Impact: Incomplete reconciliations or approvals of rate updates can result in incorrect rates going undetected which can result in financial loss.</p>			<p>always a separate staff person as the one that inputs the rates by Q4, 2023.</p>

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
4	<p>Current certificates of insurance are not always on file</p> <p>The Subdivision agreement (Residential) and site plan agreement (Non-residential) require developers to meet the minimum insurance coverage requirement and provide a current certificate of insurance (COI). An updated certificate of insurance needs to be submitted every year, at least 30 days prior to the expiry of the current policy.</p> <p>Our review found that 11 out of the 25 development charge samples did not have an updated certificate of insurance.</p> <p>Further, we also found that although staff review insurance coverage periodically, follow-up emails requesting proof of insurance renewals are sometimes sent months after the policy has expired.</p> <p><u>Potential Exposure</u> Not having a current Certificate of Insurance does not ensure that a developer's coverage is current or sufficient, increasing the liability risk to the City.</p>	P2	City Council requests that the Treasurer ensure that developers meet the City's insurance coverage requirement and that staff follow up on expiring insurance policies timely, and ensure current certificates of insurance are always on file.	<p>Manager, Capital & Development Finance will ensure the following steps are taken for each development by Q4, 2023.</p> <ol style="list-style-type: none"> 1. Send reminder letters in all instances of expired insurance. 2. Maintain log and identify the defaulters. <p>Manager, Capital & Development Finance will also consult with Manager, Risk & Insurance to explore the options to have a legislative mechanism to enforce compliance by Q1, 2024.</p>

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
5	<p>Standard Operating Procedures are not current</p> <p>There are a number of different processes within development finance including entering development information, preparing invoices, updating rates, collecting and applying cash receipts, monthly reconciliations and obtaining insurance and security among others.</p> <p>Currently, there are no standard operating procedures (SOPs) within Development Finance. There is a work instructions document that addresses all process areas, however, it is from 2016 and does not reflect current processes or systems.</p> <p>Updated procedures and work instructions can be a useful guide for current employees and is an important tool in the training and orientation of future employees.</p> <p><u>Potential Exposure</u> Not having current SOPs in place can result in inconsistent or inappropriate execution of processes.</p>	P2	City Council requests that the Treasurer ensure all development finance operating procedures are documented, reviewed and updated periodically.	Manager, Capital & Development Finance has already initiated the task to update SOP's and it will be completed by Q4, 2023.

Report Distribution List	
Marlon Kallideen	Chief Administrative Officer
Alex Milojevic	Commissioner, Corporate Support Services
Nash Damer	Treasurer
Maja Kuzmanov	Sr. Manager, Accounting Services and Deputy Treasurer
Martin Finnegan	Sr. Manager, Revenue
Raghuram Sanal Kumar	Manager, Capital Development & Finance

Internal Audit Team	
Claire Mu	Director, Internal Audit
Brad Cecile	Manager, Internal Audit
Min Peng	Senior Internal Auditor

City of Brampton Development Charges Audit – Final Audit Report
Private & Confidential

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 Development Charges 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

Development Charges

June 12, 2023, Audit Committee



Background

Development charges are an important source of revenue for the City.

- They are applied to all new developments and redevelopments in the City.
- The Development Charges Act grants the City the authority to impose development charges.
- Development Charges collected for the City: \$66M (2020), \$86M (2021) and \$74M (2022).

Administering development charges

- A development charge background study is conducted every 5 years
 - It Identifies infrastructure needs resulting from growth and the associated costs.
- The City adopts a Development Charges (DC) By-law every 10 years
 - The City last completed the background study and enacted the development by-laws In 2019.

The City collects development charges on behalf of the Region of Peel, Peel District School Board, and Dufferin-Peel Catholic District School Board.

Audit Objectives and Scope

We assessed whether:

1. Development charges are calculated in accordance with relevant by-laws
2. An insurance certificate and letter of credit or security deposits are in place for each development
3. Building permits are issued only after all required documents are in place and all charges have been collected
4. Process is in place to ensure that development charges payments have been made for applicable property developments
5. Cash in lieu of parkland charges are supported and approved
6. Reserve funds are allocated to capital reserve fund according to the development charges by-laws
7. Development charges collected on behalf of Peel Region and the school boards are accurate and transferred timely

Audit Period: development charges activity from January 1, 2020, to December 31, 2022

Finding #1: Manual & Inefficient billing for invoices with frozen rates

Condition

- For invoices with development charge rates from prior periods (i.e., frozen rates) the applicable retro rates and interest must be entered manually for each development charge fund.
- Staff must enter approximately 20 data fields for each type of development (detached, townhouse, condo etc.) for any invoice with frozen rates.

Impact

- Manually entering multiple fields for each invoice line is inefficient and increases the risk of incorrect development charge amounts being billed.

Finding #2: System control to automatically apply current rates is not functioning when rates decrease

Condition

- Bill 23 rendered certain services no longer eligible for funding from development charges.
- This resulted in an overall rate decrease of development charges applied by the Region of Peel.
- The system does not automatically apply new lower development charge rates to existing invoices, and the user is not notified of the rate change.

Impact

- This resulted in four developers being overcharged by a total of \$288K.
- City staff were notified of the overbilling by Peel Region, and credits were issued in 2023.

Finding #3: DC rates updating in the IT System have not always been vetted and approved

Condition

- On February 1 and August 1 of each year, development charge rates for the City of Brampton are adjusted based on Statistics Canada's building construction price index.
- Rate updates in AMANDA are not always approved by a Manager
- A report that shows rates in Excel format is not available in AMANDA (the City's development charge IT system). This does not allow for an efficient review of newly entered rates.

Impact

- Lack of vetting and approval for rate updates can result in incorrect rates undetected.
- Small errors in development charge rates can lead to significant differences in the calculated development charges.

Finding #4: Current certificates of insurance are not always on file

Condition

- Developers are required to provide an updated certificate of insurance every year, at least 30 days prior to the expiry of the current policy.
- 11 out of 25 development charges samples did not have an updated certificate of insurance on file.
- Follow-up emails requesting proof of insurance renewals are sometimes sent months after the policy has expired.

Impact

- Having outdated Certificate of Insurance increases the liability risk to the City.

Finding #5: Standard Operating Procedures are not current

Condition

- The administration of development charges includes a number of processes, such as invoicing, rate updating, cash collection and application, account reconciliations, and obtaining insurance and security.
- There are no standard operating procedures (SOPs) within Development Finance. There is an outdated work instruction document that no longer reflects current processes or systems.

Impact

- Not having up-to-date standard operation procedures can result in inconsistent or inappropriate execution of processes. SOPs are an important tool in training and orientation for current and future employees.

Conclusion

Overall, development charge processes operate effectively, and proper oversight is in place.

We noted the following that could reduce billing accuracy:

- Inefficiency in processing invoices with frozen rates due to system limitations
- Lack of automatic adjustments to development charges when rates decrease
- Lack of comprehensive controls in the process of updating development charge rates in the system

Staff should:

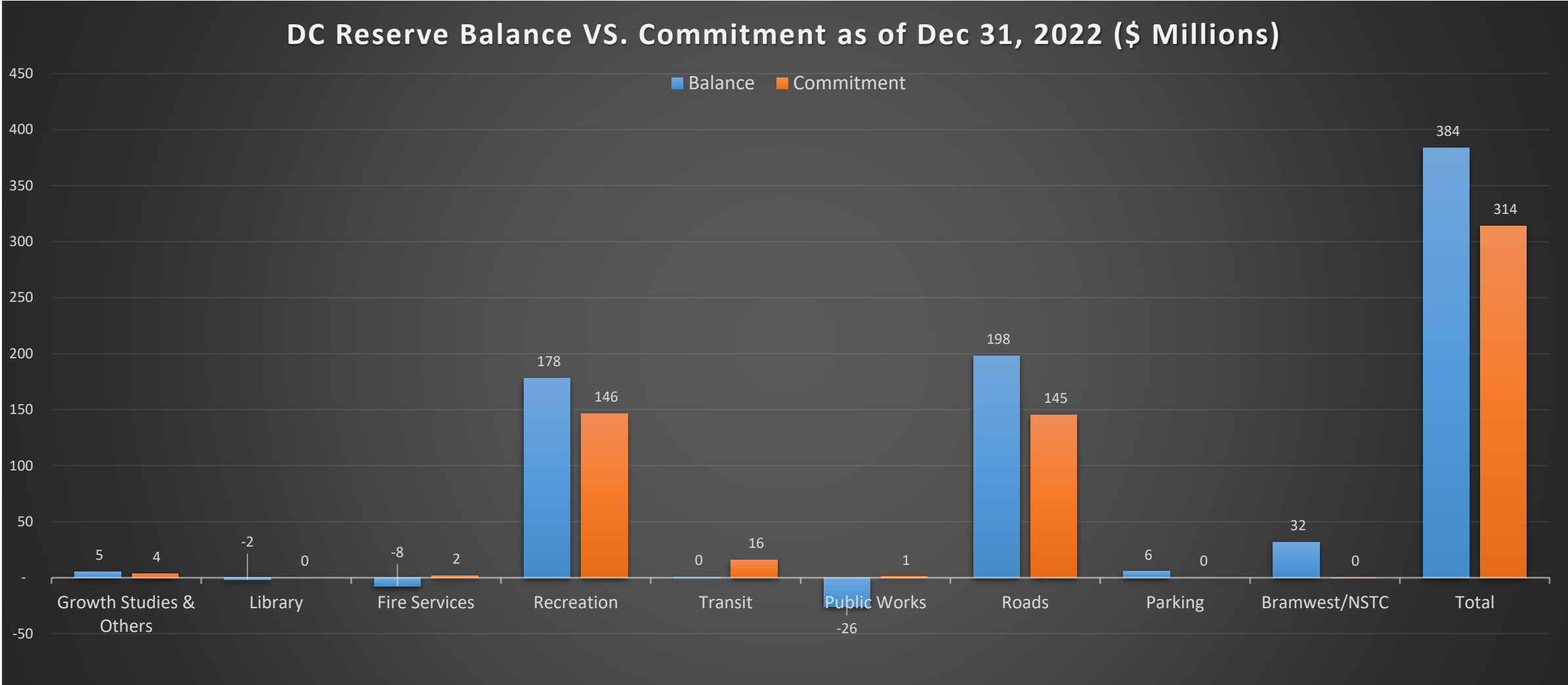
- Implement IT enhancements and strengthen the rate update process to improve billing controls and efficiency.
- Improve the monitoring of insurance coverage to ensure that the City always has updated Certificates of Insurance on file for developments.

Comparison of this audit with the Provincial Development Charges Audit

The Province of Ontario introduced sweeping changes through two pieces of legislation - Bill 23, the More Homes Built Faster Act, 2022 and Bill 108, More Homes, More Choice Act, 2019. A provincial audit has been announced.

	Development Charges Audit	Provincial Audit
Audit Type	Internal Audit	Third-party Audit
Objective	Evaluate the effectiveness of processes and controls around Development Charges	<div>1. Understand any potential or perceived impacts of Bill 23;</div> <div>2. Evaluate the accountability, effectiveness and efficiency of the activities that support investments in growth-related infrastructure</div>
Scope	Jan 1, 2020, to Dec 31, 2022	<div>1. Financial Impact: 2022 to 2031</div> <div>2. Infrastructure: investment since 2018</div>

The City's Development Charge Reserve and Spending Commitment



Thank you!



Date: 2023-06-01

Subject: **Audit Committee Terms of Reference and Internal Audit Charter**

Contact: Claire Mu, Director, Internal Audit, 905-874-2215
fang.mu@brampton.ca

Report Number: CAO's Office-2023-504

Recommendations:

- 1) That the report titled: **Audit Committee Terms of Reference and Internal Audit Charter**, to the Audit Committee Meeting of June 12, 2023, be received.
- 2) That the combined and updated Audit Committee Terms of Reference and Internal Audit Charter, as set out in **Appendix 1: By-law to Establish Audit Committee Terms of Reference and Internal Audit Charter** to this report, be approved and enacted in a By-law.
- 3) That Administrative Authority By-law 216-2017, as amended, be further amended to delegate authority to the Director of Internal Audit to make amendments to the Schedule contained in the proposed Audit Committee Terms of Reference and Audit Charter By-law to make required Schedule updates as set out in the Institute of Internal Auditors ("IIA") Standards, with regular reporting to the Audit Committee on any changes made to the by-law Schedule.

Overview:

- This Report includes the combined Audit Committee Terms of Reference and Internal Audit Charter attached in **Appendix 1: By-law to Establish Audit Committee Terms of Reference and Internal Audit Charter** to be approved and enacted in a By-law.
- Also recommended is an amendment to the Administrative Authority By-law 216-2017 to delegate to the Director of Internal Audit the authority to make changes to the proposed **Audit Committee Terms of Reference and Internal Audit Charter** as contained in the Schedule to the proposed By-law, with limitations.
- The **Audit Committee Terms of Reference** are approved at the beginning of each term of Council.

- The **Audit Committee Terms of Reference and Internal Audit Charter** joins the terms of reference and audit charter as received at the Audit Committee meeting of February 21, 2023, Audit Committee Motion AU9-2023.
- Two changes are made to the **Internal Audit Charter** approved in February to formalize practices already in place.
 - Internal Audit will not be providing consulting services, except at the request of the City Council on governance and risk matters.
 - Internal Audit staff are not permitted to accept temporary assignments to other City divisions (including secondments).
- The documents were combined to avoid duplication and to provide a single reference document.
- This Report includes copies of the terms of reference and audit charter received at the February 21, 2023, Audit Committee meeting. See **Appendix 2: Internal Audit Charter Version 2023** and **Appendix 3: Audit Committee Terms of Reference 2023**. **Appendix 4** outlines a chronology of changes to the Audit Charter.

Background:

The Audit Committee was established in 2002 to enable Council members to fulfil their oversight capabilities and stewardship responsibilities. The City's Audit Charter and Audit Committee Terms of Reference were presented to that committee.

- The Terms of Reference for the Audit Committee are established at the beginning of every term of Brampton City Council. Roles and Responsibilities are defined in the Audit Committee Terms of Reference.
- The Audit Charter is a formal document approved by City Council. The Audit Charter defines the Internal Audit function's Purpose and Mission, Authority, Responsibility, Independence and Objectivity, Scope of Internal Audit Activities, and position within the City of Brampton.

The Internal Audit Division reviews the Charter and the Terms of Reference at the beginning of each term of Council, updating either document wherever necessary. In addition, the Director of Internal Audit reviews the Internal Audit Charter annually to determine if changes are required. These updates may include changes from the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing ("Standards") on which the Charter is based.

Changes have been made to the Audit Charter in 2019, 2020 and 2021. See **Appendix 4** for a chronological list of changes.

The Audit Charter and Audit Committee Terms of Reference documents have, until

now, been maintained as two separate documents.

At the September 8, 2020, meeting of the Audit Committee, the committee voted to adopt updated versions of the Audit Committee Terms of Reference and Internal Audit Charter into By-law. While the report was received, no motion was presented to City Council to adopt the Charter and terms of reference into By-law. Click [here](#) for the meeting minutes.

Members of the Audit Committee attending the Council Workshop on January 30, 2023, asked Internal Audit staff to combine the Audit Charter and Audit Committee Terms of Reference into one document and to present it at the Audit Committee to be approved and enacted into By-law. Click [here](#) for the meeting agenda.

Per the January Workshop, Internal Audit presented the report titled: "Update of Internal Audit Charter and Audit Committee Terms of Reference" at February 21, 2023, meeting of the Audit Committee. The committee formally directed staff to review the Audit Committee Terms of Reference and the Audit Charter and provide a draft version of a combined document for the next Audit Committee meeting to adopt the combined document into By-law. Click [here](#) for the meeting minutes.

Current Situation:

This report implements the Audit Committee direction, from motion AU9-2023, that staff review the Audit Committee Terms of Reference and the Audit Charter and provide a draft version of a combined document to the next scheduled Audit Committee meeting. The contents of the documents are closely linked and were connected to avoid duplication and to provide a single reference document. One guiding document will provide efficiency and clarity on the mandate of the Audit Committee.

Audit Committee Terms of Reference and Internal Audit Charter By-law

Internal Audit seeks approval for the Council to enact the Audit Committee Terms of Reference and Internal Audit Charter into By-law, as set out in **Appendix 1** to this report.

The contents of the terms of reference and Charter were received at the Audit Committee meeting of February 21, 2023, Audit Committee Motion AU9-2023.

Changes to the Audit Charter

Two changes have been made to the Internal Audit Charter approved in February to formalize practices already in place:

- To maintain independence, due to the small size of the team, Internal Audit will not be providing consulting services, except at the request of the City Council on governance and risk matters;
- Internal Audit staff can no longer accept temporary assignments to other City divisions (including secondments). The City Solicitor has been consulted on adding this condition to the Audit Charter.

Allowing IA staff to perform consulting services or accept temporary assignments to other City divisions poses an operational challenge. It impinges on Internal Audit

Independence and Objectivity, as auditors cannot audit their own work. This can limit Internal Audit's ability to perform audits with an independent and objective mindset.

Except for the above changes, the Audit Committee Terms of Reference and Internal Audit Charter documents currently in effect remain the same.

Delegated Authority

Internal Audit seeks to amend the Administrative Authority By-law 216-2017 to grant the Director of Internal Audit authority to amend the **Audit Committee Terms of Reference and Internal Audit Charter By-law**, with the following limitations.

The Director of Internal Audit's authority to make changes are limited to updating the contents, such as to reflect changes to the IIA Standards. The Director is not authorized to make changes to the document that could affect funding or the roles and responsibilities of the Audit Committee or the Director of Internal Audit and division, including the reporting structure. The Director, Internal Audit will regularly report any changes to the proposed by-law Schedule to the Audit Committee for reference.

Corporate Implications:

Financial Implications: nil

Other Implications:

That Legal Services take the steps necessary to enact the Audit Committee Terms of Reference and Internal Audit Charter into By-law.

Term of Council Priorities:

This report achieves the term of Council priority of a Well-Run city by ensuring accountable and transparent government through clear roles and responsibilities.

Conclusion:

No significant changes resulted from combining the Audit Committee Terms of Reference and Internal Audit Charter documents. The contents of the documents are closely linked and were joined to avoid duplication and provide a single reference document.

A key feature of this report is to enact the combined Audit Committee Terms of Reference and Internal Audit Charter into By-law. This will provide greater stability to the Internal Audit function of the City of Brampton.

Claire Mu

Director, Internal Audit

Attachments:

Appendix 1: By-law to Establish Audit Committee Terms of Reference and Internal Audit Charter

Appendix 2: Internal Audit Charter Version 2023

Appendix 3: Audit Committee Terms of Reference 2023

Appendix 4: A Chronology of Changes



THE CORPORATION OF THE CITY OF BRAMPTON

BY-LAW

Number _____ - 2023

To Establish the Audit Committee Terms of Reference and Internal Audit Charter

WHEREAS City Council establishes its governance structure for decision-making at the start of each Council term;

AND WHEREAS Council adopted Resolution _____ , at its June 14, 2023 meeting to consolidate and adopt appropriate terms of reference and audit charter for the mandate and responsibilities of the Audit Committee, as well as define the role of the Internal Audit Division and relationship with the Audit Committee;

NOW THEREFORE the Council of The Corporation of the City of Brampton ENACTS as follows:

- 1. That an Audit Committee be established based on the Terms of Reference and Charter as set out in Scheduled 1 to this By-law.

ENACTED and PASSED this 14th day of June, 2023.

Approved as to
form.
20__/_/month/day
[insert name]

Patrick Brown, Mayor

Approved as to
content.
20__/_/month/day
[insert name]

Peter Fay, City Clerk

Schedule 1

Establish the Audit Committee Terms of Reference and Internal Audit Charter

1. AUDIT COMMITTEE TERMS OF REFERENCE

Audit Committee:

A Committee of Council. The Committee was established to enable members of Council to further enhance oversight capabilities and stewardship responsibilities. Roles and Responsibilities are further defined in the Audit Committee Terms of Reference.

Composition:

- Minimum of five members of Council
- The Mayor, who is an ex-officio member
- Minimum of one to a maximum of three citizen members

Term of Office: Concurrent with the term of Council, ending November 30, 2026, or until successors are appointed

Established by: Council Resolution

Meetings: Quarterly, or as required by the Chair

Reports to: City Council

Supported by: City Clerk's Office

Qualifications:

Elected Officials:

- Where feasible, a background in finance, audit, or accounting would provide the Committee with additional expertise

Citizen Member(s):

- Lives and/or operates a business in Brampton
- Has a professional Accounting designation with a minimum of 10 years of experience
- Demonstrates skill in strategy and innovation
- Proficient in accounting and auditing
- Displays exceptional verbal, written, listening, teamwork and collaboration skills

Objectives of the Audit Committee:

The objective of the Audit Committee is to enhance Council's understanding of financial and control reporting both internally (as provided by the City's Internal Audit Division) and statutorily (as provided by the City's Auditors). The Committee enables Council to fulfill its oversight and stewardship responsibilities. The Committee also provides a focal point for improved communication between Council, the Internal and Statutory Auditors, and Management. The Committee strengthens the impartial, objective and independent review of management practices through the internal and statutory audit functions. In particular, the Committee's objectives are to:

- Demonstrate a higher level of public accountability;
- Provide additional assurance to the public that City services are administered in an effective, efficient and economical manner;
- Ensure compliance with legislation for public reporting;
- Ensure compliance with Corporate policies and procedures;
- Ensure the safeguarding of City assets; and
- Ensure impartial, objective and independent review of processes for City operations.

Responsibilities of the Audit Committee

The Audit Committee is responsible for:

Statutory Audit Function

Making recommendations to City Council regarding the following:

- The selection and dismissal of the City’s statutory Auditor(s) in accordance with the requirements of Section 296 of the Municipal Act, 2001;
- The terms of engagement, fees and scope of the audit services provided;
- The review and approval of the annual Audited Financial Statements; and
- The review and receipt of reports.

Internal Audit Function

- Reviewing and approving the risk based internal audit work plan as recommended by the Director, Internal Audit
- Reviewing and approving the Internal Audit Charter;
- Reviewing Internal Audit reports issued during the year;
- Reviewing the adequacy of management responses to audit concerns in relation to the risks and costs involved;
- Ensuring the Internal Audit recommendations are implemented by reviewing Internal Audit’s follow up reports; and
- Ensuring all Internal Audit activities are free from interference and related implications.

Financial and Other Reporting:

Reviewing the annual Management Letter prepared by the City’s statutorily appointed auditors and the related management responses.

General

- Reviewing the Audit Committee mandate periodically;
- Communicating and meeting independently with the Director, Internal Audit as appropriate; and
- Any other matters that could come within the scope of the auditors.

2. INTERNAL AUDIT CHARTER

Purpose and Mission

The purpose of the City of Brampton’s (“City”) Internal Audit Division (“Internal Audit”) is to provide independent and objective assurance services designed to add value and improve the operations of the City. To maintain independence, due to the small size of the team, Internal Audit will not be providing consulting services, except at the request of the City Council on governance and risk matters. The mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. Internal Audit helps the City accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

Definitions

Audit Committee:	A Committee of Council. The Committee was established to enable members of Council to further enhance oversight capabilities and stewardship responsibilities. Roles and Responsibilities are further defined in the Audit Committee Terms of Reference.
City Related Boards:	Includes Brampton Heritage Board and Brampton Library.

Consulting Services:	Advisory services at the request of City Council to improve the City's governance, risk management, and control processes without the Director, Internal Audit and/or the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.
Council:	Municipal Council of the City of Brampton including the Mayor and Councillors.
Employee:	An individual employed by the City, including those employed on contract and volunteers, but does not include those retained by the City on a professional services agreement.
Engagement:	A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives. An engagement includes financial, operational, compliance, follow up, information systems audits, other special audits, or consulting services.
Internal Audit Work Plan:	The plan approved by Council listing all engagements to be performed by Internal Audit.

Standards for the Professional Practice of Internal Audit

Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' ("the IIA") International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing* ("Standards"), and the Definition of Internal Auditing. The IIA's Mandatory Guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of internal audit activity's performance. The Director, Internal Audit will report periodically to the Audit Committee regarding Internal Audit's conformance to the Code of Ethics and the *Standards*. In addition, Internal Audit will adhere to and ensure conformance to the guidelines and procedures of ISACA for any engagements involving information systems.

Internal Audit will adhere to the City's relevant policies and procedures.

Authority

The Director, Internal Audit will report functionally to the Audit Committee and administratively (i.e. day-to-day operations) to the Chief Administrative Officer ("CAO").

To establish, maintain, and assure that the City's Internal Audit has sufficient authority to fulfill its duties, the Audit Committee will:

- Approve the Internal Audit Charter.
- Approve the risk-based Internal Audit Work Plan.
- Approve Internal Audit's budget and resource plan.
- Receive communications from the Director, Internal Audit on Internal Audit's performance relative to its plan and other matters.
- Participate in the selection of the Director, Internal Audit.
- Actively participate in discussions about and approving decisions regarding the removal of the Director, Internal Audit.
- Review and approve, together with the CAO, the performance of the Director, Internal Audit.
- Approve decisions relating to the remuneration of the Director, Internal Audit.
- Make appropriate inquiries of management and the Director, Internal Audit to determine whether there is inappropriate scope or resource limitations.

The Director, Internal Audit will have unrestricted access to, and communicate and interact directly with, the Audit Committee, including private meetings without management present.

The Audit Committee authorizes Internal Audit to:

- Have full, free, and unrestricted access to all functions, records, properties, and personnel necessary to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information, and applicable law.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the City, as well as other specialized services from within or outside the City, in order to complete the engagement.
- Conduct any engagement of all City departments and special interest groups, 3rd parties (via right to audit clauses where applicable) and City Related Boards.

It is the duty of any employee of the City or City Related Board having control of records to permit the Director, Internal Audit or his/her designate access and examination when requested subject to applicable law. It is also the duty of any employee of the City or City related Board to fully co-operate with and make full disclosure of all pertinent information to the Director, Internal Audit or his/her authorized designate.

Independence and Objectivity

The Director, Internal Audit will ensure that Internal Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Director, Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an impartial, unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year. To this end, Internal Audit staff temporary assignments to other City divisions (including secondments) will be operationally challenging, and therefore, not be permitted.
- Performing any operational duties for the City or City Related Boards.
- Initiating or approving transactions external to Internal Audit.
- Directing the activities of any City employee not employed by Internal Audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

The Director, Internal Audit will have no direct operational responsibility or authority over any operational activity for the City or City Related Boards. The Director, Internal Audit is not authorized to perform any operational duties for the City or City Related Boards.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.

- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

The Director, Internal Audit will confirm to the Audit Committee, at least annually, the organizational independence of Internal Audit.

The Director, Internal Audit will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee on the adequacy and effectiveness of governance, risk management, and control processes for the City. Internal Audit assessments include evaluating whether:

- Risks relating to the achievement of the City's strategic objectives are appropriately identified and managed.
- The actions of the City's officers, directors, employees, and contractors are in compliance with the City's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the City.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Director, Internal Audit will report periodically to the Audit Committee regarding:

- The Internal Audit Charter.
- The independence of the Internal Audit activity.
- The Internal Audit Work Plan and progress against the plan.
- Internal Audit resource requirements.
- Results of Internal Audit activities, including significant risk exposures and control issues.
- Conformance with the IIA Code of Ethics and the Standards, and any action plans that address any significant conformance issues.
- Management's response to risk that, in the Director, Internal Audit's judgement, may be unacceptable to the City.

The Director, Internal Audit shares information, coordinates activities, and considers relying on the work of other internal and external assurance and consulting service providers as needed to ensure proper coverage and minimize duplication of efforts. Internal Audit may perform advisory activities at the request of City Council, provided Internal Audit does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Director, Internal Audit has the responsibility to:

- Submit, at least annually, to the Audit Committee, a risk-based Internal Audit Work Plan for review and approval. The Internal Audit Work Plan sets out the priorities for Internal Audit that: are reflective of the City's objectives, concerns and priorities; are integrated and coordinated with the corporate risk assessment and strategic planning process: and, considers input from senior management.
- Communicate to the Audit Committee the impact of resource limitations on the Internal Audit Work Plan.
- Review and adjust the Internal Audit Work Plan, as necessary, in response to changes in the City's business, risks, operations, programs, systems, and controls.
- Communicate to the Audit Committee any significant interim changes to the Internal Audit Work Plan.
- Ensure each engagement of the Internal Audit Work Plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to the Audit Committee any corrective actions not effectively implemented.
- Manage and coordinate all fraud investigation activities within City Departments and Related Boards.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure Internal Audit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit Charter.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide Internal Audit.
- Ensure adherence to the City's relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to the Audit Committee.
- Ensure conformance of Internal Audit with the Standards, with the following qualifications:
 - If Internal Audit is prohibited by law or regulation from conformance with certain parts of the Standards, the Director, Internal Audit will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - If the Standards are used in conjunction with requirements issued by ISACA, the Director, Internal Audit will ensure that Internal Audit conforms with the Standards, even if Internal Audit also conforms with the more restrictive requirements of ISACA.

Quality Assurance and Improvement Program

Internal Audit will maintain a Quality Assurance and Improvement Program ("QAIP") that covers all aspects of Internal Audit. The program will include an evaluation of Internal Audit's conformance with the Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement.

The Director, Internal Audit will communicate to the Audit Committee on Internal Audit's QAIP, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the City.



Corporation of the City of Brampton
The Office of Internal Audit

INTERNAL AUDIT CHARTER

Purpose and Mission

The purpose of the City of Brampton's ("City") Office of Internal Audit ("Internal Audit") is to provide independent, objective assurance and consulting services designed to add value and improve the operations of the City. The mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. Internal Audit helps the City accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

Definitions

Audit Committee:	A Committee of Council. The Committee was established to enable members of Council to further enhance oversight capabilities and stewardship responsibilities. Roles and Responsibilities are further defined in the Audit Committee Terms of Reference.
City Related Boards:	Includes Brampton Heritage Board and Brampton Library.
Consulting Services	Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve the City's governance, risk management, and control processes without the Director, Internal Audit and/or the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.
Council:	Municipal Council of the City of Brampton and includes the Mayor and Councillors.
Employee:	An individual employed by the City, including those employed on contract and volunteers, but does not include those retained by the City on a professional services agreement.
Engagement:	A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may

include multiple tasks or activities designed to accomplish a specific set of related objectives. An engagement includes financial, operational, compliance, follow up, information systems audits, other special audits, or consulting services.

Internal Audit Work Plan: The plan approved by Council listing all engagements to be performed by Internal Audit.

Standards for the Professional Practice of Internal Audit

Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' ("the IIA") International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. The IIA's Mandatory Guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of internal audit activity's performance. The Director, Internal Audit will report periodically to the Audit Committee regarding Internal Audit's conformance to the Code of Ethics and the *Standards*. In addition, Internal Audit will adhere to and ensure conformance to the guidelines and procedures of ISACA for any engagements involving information systems.

Internal Audit will adhere to the City's relevant policies and procedures.

Authority

The Director, Internal Audit will report functionally to the Audit Committee and administratively (i.e. day-to-day operations) to the Chief Administrative Officer ("CAO"). To establish, maintain, and assure that the City's Internal Audit has sufficient authority to fulfill its duties, the Audit Committee will:

- Approve the Internal Audit Charter.
- Approve the risk-based Internal Audit Work Plan.
- Approve Internal Audit's budget and resource plan.
- Receive communications from the Director, Internal Audit on Internal Audit's performance relative to its plan and other matters.
- Participate in the selection of the Director, Internal Audit.
- Actively participate in discussions about and approving decisions regarding the removal of the Director, Internal Audit.
- Review and approve, together with the CAO, the performance of the Director, Internal Audit.
- Approve decisions relating to the remuneration of the Director, Internal Audit.
- Make appropriate inquiries of management and the Director, Internal Audit to determine whether there is inappropriate scope or resource limitations.

The Director, Internal Audit will have unrestricted access to, and communicate and interact directly with, the Audit Committee, including private meetings without management present.

The Audit Committee authorizes Internal Audit to:

- Have full, free, and unrestricted access to all functions, records, properties, and personnel necessary to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information, and applicable law.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the City, as well as other specialized services from within or outside the City, in order to complete the engagement.
- Conduct any engagement of all City departments and special interest groups, 3rd parties (via right to audit clauses where applicable) and City Related Boards.

It is the duty of any employee of the City or City Related Board having control of records to permit the Director, Internal Audit or his/her designate access and examination when requested subject to applicable law. It is also the duty of any employee of the City or City related Board to fully co-operate with and make full disclosure of all pertinent information to the Director, Internal Audit or his/her authorized designate.

Independence and Objectivity

The Director, Internal Audit will ensure that Internal Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Director, Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an impartial, unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the City or City Related Boards.

- Initiating or approving transactions external to Internal Audit.
- Directing the activities of any City employee not employed by Internal Audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

The Director, Internal Audit will have no direct operational responsibility or authority over any operational activity for the City or City Related Boards. The Director, Internal Audit is not authorized to perform any operational duties for the City or City Related Boards.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

The Director, Internal Audit will confirm to the Audit Committee, at least annually, the organizational independence of Internal Audit.

The Director, Internal Audit will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee on the adequacy and effectiveness of governance, risk management, and control processes for the City. Internal Audit assessments include evaluating whether:

- Risks relating to the achievement of the City's strategic objectives are appropriately identified and managed.
- The actions of the City's officers, directors, employees, and contractors are in compliance with the City's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the City.

- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Director, Internal Audit will report periodically to the Audit Committee regarding:

- The Internal Audit Charter.
- The independence of the Internal Audit activity.
- The Internal Audit Work Plan and progress against the plan.
- Internal Audit resource requirements.
- Results of Internal Audit activities, including significant risk exposures and control issues.
- Conformance with the IIA Code of Ethics and the *Standards*, and any action plans that address any significant conformance issues.
- Management's response to risk that, in the Director, Internal Audit's judgement, may be unacceptable to the City.

The Director, Internal Audit shares information, coordinates activities, and considers relying on the work of other internal and external assurance and consulting service providers as needed to ensure proper coverage and minimize duplication of efforts. Internal Audit may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided Internal Audit does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Director, Internal Audit has the responsibility to:

- Submit, at least annually, to the Audit Committee, a risk-based Internal Audit Work Plan for review and approval. The Internal Audit Work Plan sets out the priorities for Internal Audit that: are reflective of the City's objectives, concerns and priorities; are integrated and coordinated with the corporate risk assessment and strategic planning process; and, considers input from senior management.
- Communicate to the Audit Committee the impact of resource limitations on the Internal Audit Work Plan.
- Review and adjust the Internal Audit Work Plan, as necessary, in response to changes in the City's business, risks, operations, programs, systems, and controls.
- Communicate to the Audit Committee any significant interim changes to the Internal Audit Work Plan.

- Ensure each engagement of the Internal Audit Work Plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to the Audit Committee any corrective actions not effectively implemented.
- Manage and coordinate all fraud investigation activities within City Departments and Related Boards.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure Internal Audit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit Charter.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide Internal Audit.
- Ensure adherence to the City's relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to the Audit Committee.
- Ensure conformance of Internal Audit with the *Standards*, with the following qualifications:
 - If Internal Audit is prohibited by law or regulation from conformance with certain parts of the *Standards*, the Director, Internal Audit will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.
 - If the *Standards* are used in conjunction with requirements issued by ISACA, the Director, Internal Audit will ensure that Internal Audit conforms with the *Standards*, even if Internal Audit also conforms with the more restrictive requirements of ISACA.

Quality Assurance and Improvement Program

Internal Audit will maintain a Quality Assurance and Improvement Program ("QAIP") that covers all aspects of Internal Audit. The program will include an evaluation of Internal Audit's conformance with the *Standards* and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement.

The Director, Internal Audit will communicate to the Audit Committee on Internal Audit's QAIP, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the City.

AUDIT COMMITTEE

Terms of Reference

Composition:

- Minimum of five members of Council
- The Mayor, who is an *ex-officio* member
- Minimum of one to a maximum of three citizen members

Term of Office: Concurrent with the term of Council, ending November 30, 2022, or until successors are appointed

Established by: Council Resolution

Meetings: Quarterly, or as required by the Chair

Reports to: City Council

Supported by: City Clerk's Office

Qualifications:

Elected Officials:

- Where feasible, a background in finance, audit, or accounting would provide the Committee with additional expertise

Citizen Member(s):

- Lives and/or operates a business in Brampton
- Has a professional Accounting designation with a minimum of 10 years experience
- Demonstrates skill in strategy and innovation
- Proficient in accounting and auditing
- Displays exceptional verbal, written, listening, teamwork and collaboration skills

Objectives of the Audit Committee:

The objective of the Audit Committee is to enhance Council's understanding of financial and control reporting both internally (as provided by the City's Internal Audit Division) and statutorily (as provided by the City's Auditors). The Committee enables Council to fulfill its oversight and stewardship responsibilities. The Committee also provides a focal point for improved communication between Council, the Internal and Statutory Auditors, and Management. The Committee strengthens the impartial, objective and independent review of management practices through the internal and statutory audit functions. In particular, the Committee's objectives are to:

- Demonstrate a higher level of public accountability;
- Provide additional assurance to the public that City services are administered in an effective, efficient and economical manner;
- Ensure compliance with legislation for public reporting;
- Ensure compliance with Corporate policies and procedures;
- Ensure the safeguarding of City assets; and
- Ensure impartial, objective and independent review of processes for City operations

Responsibilities of the Audit Committee

The Audit Committee is responsible for:

Statutory Audit Function

Making recommendations to City Council regarding the following:

- The selection and dismissal of the City's statutory Auditor(s) in accordance with the requirements of Section 296 of the *Municipal Act, 2001*;
- The terms of engagement, fees and scope of the audit services provided;
- The review and approval of the annual Audited Financial Statements; and
- The review and receipt of reports.

Internal Audit Function

- Reviewing and approving the risk based internal audit work plan as recommended by the Director, Internal Audit;
- Reviewing and approving the Internal Audit Charter;
- Reviewing Internal Audit reports issued during the year;
- Reviewing adequacy of the management responses to audit concerns in relation to the risks and costs involved;
- Ensuring the Internal Audit recommendations are implemented by reviewing Internal Audit's follow up reports;
- Reviewing and approving the Office of Internal Audit's budget;
- Participate in the selection of the Director, Internal Audit.
- Actively participate in discussions about and approving decisions regarding the removal of the Director, Internal Audit.
- Reviewing the adequacy of the authority, responsibilities and functions of the City's Office of Internal Audit, including Internal Audit plans, budget, and the scope and results of internal audits and management's responses thereto;
- Ensuring all Internal Audit activities are free from interference and related implications;
- Reviewing with the Director, Internal Audit the performance of the Internal Audit function;

- Reviewing and approving, together with the CAO, the performance of the Director, Internal Audit; and
- Reviewing and approving decisions relating to the remuneration of the Director, Internal Audit.

Financial and Other Reporting

- Reviewing the annual Management Letter prepared by the City's statutorily appointed auditors and the related management responses.

General

- Reviewing the Audit Committee mandate periodically;
- Communicating and meeting independently with the Director, Internal Audit as appropriate; and
- Any other matters that could come within the scope of the auditors.

Appendix 4: A Chronology of Changes

The following sets out chronological changes to the Internal Audit Charter since 2019.

2019, March 19, Audit Committee Motion AU010-2019

The 2019 updates to the charter and terms of reference were the first since 2017. The motion to receive was carried. The two policy documents are the following:

- Internal Audit Charter Version 2019.
- Audit Committee Terms of Reference Version 2019.

Click [here](#) for the meeting agenda, and [here](#) for the meeting minutes.

2020, September 8, Audit Committee Motion AU024-2020

The “Internal Audit Charter” report was presented to the Audit Committee by Internal Audit. The motion carried. Recommendations included:

- That the report titled Internal Audit Charter be received.
- That a By-Law be enacted, adopting the updated Internal Audit Charter and Audit Committee Terms of Reference attached to the report.

While the report was received, no motion was presented to Council to adopt the charter and terms of reference into By-law.

The 2020 Audit Charter updates changed the relationship between Internal Audit, the Audit Committee and the CAO.

- The updated 2020 Internal Audit Charter states, “The CAO is responsible for the general management of the affairs of the Internal Audit Division, including the appointment, dismissal and remuneration of the Director of Internal Audit.”
- The Internal Audit Charter 2019 states, “... the Audit Committee will... Approve decisions regarding the appointment and removal of the CAE [Director of Internal Audit] ... Approve decisions relating to the remuneration of the CAE.”

Click [here](#) for the meeting agenda, and [here](#) for the meeting minutes.

2021, May 5, City Council Resolution C145-2021

On May 5, 2021, Council reinstated a previous version of the Internal Audit Charter

and Audit Committee Terms of Reference from March 2019 to ensure the independence and objectivity of the internal audit function. In addition, Council provided direction to staff to provide comments with regard to clarification of roles and responsibilities. The motion was moved by Regional Councillor Medeiros and seconded by all members of the City Council. The motion carried unanimously.

Click [here](#) for the meeting minutes.

2022, May 17, Audit Committee Motion AU017-2022

As directed by City Council, the CAO's office updated the Internal Audit Charter and Audit Committee Terms of Reference. The report was presented at the May 17, 2022, meeting of the Audit Committee. It was deferred to the September 27, 2022, Audit Committee meeting to allow more time for Councilors to study the report.

The changes were based on the review of the Internal Audit Charter Version 2019, the audit charters of other municipalities and recommendations of The Institute of Internal Auditors (IIA).

The following table is an excerpt from the May report, which identified two areas where additional language would provide greater clarity and alignment with the current organizational structure.

Version 2019	Proposed changes (Version 2022)
To establish, maintain, and assure that the City's Internal Audit has sufficient authority to fulfill its duties, the Audit Committee will: <ul style="list-style-type: none">• Approve decisions regarding the appointment and removal of the CAE.	To establish, maintain, and assure that the City's Internal Audit has sufficient authority to fulfill its duties, the Audit Committee will: <ul style="list-style-type: none">• Participate in the selection of the Director, Internal Audit.• Actively participate in discussions about and approving decisions regarding removal of the Director, Internal Audit.
Director, Internal Audit is referred to as Chief Audit Executive (CAE)	Chief Audit Executive (CAE) removed and replaced with Director, Internal Audit

Click [here](#) for the meeting agenda, and [here](#) for the meeting minutes.

2022, September 27, Audit Committee

Due to the 2022 municipal election, the September 27 meeting of the Audit Committee would have been the last meeting of that council term. However, the Audit Committee did not occur due to a lack of quorum. As a result, the "Update of Internal Audit Charter and Audit Committee Terms of Reference" was not received or approved.

Click [here](#) for the meeting agenda.

2023, January 30, Council Workshop

Whereas the Audit Committee Terms of Reference need to be reviewed and approved for this term of City Council, the new members of the Audit Committee directed staff, at the Council Education session on January 30, 2023, to:

- Combine the Audit Charter and Audit Committee Terms of Reference into one document.
- Present the Audit Charter and Audit Committee Terms of Reference to be approved into By-Law.

Click [here](#) for the meeting agenda.

2023, February 21, Audit Committee Motion AU9-2023

The Audit Committee received the report titled: "Update of Internal Audit Charter and Audit Committee Terms of Reference."

The Audit Committee directed staff to review the Audit Committee Terms of Reference and the Audit Charter and provide a draft version of a combined document to the next scheduled Audit Committee meeting.

The charter and terms of reference approved by the Audit Committee kept the changes prepared for the September 27, 2022, meeting of the Audit Committee. In addition, the motion resolved that any Internal Audit report directed to the Audit Committee by the Director of Internal Audit shall not require prior approval by the Chief Administrative Officer or other management staff. The Audit Committee also voted to change the number of citizen members to reflect the change in the size of the audit committee.

Click [here](#) for the meeting agenda, and [here](#) for the meeting minutes.

Date: 2023-05-31

Subject: **Corporate Fraud Governance Structure**

Contact: Claire Mu, Director, Internal Audit, 905-874-2215
fang.mu@brampton.ca

Report Number: CAO's Office-2023-500

Recommendations:

1. That the report titled: **Corporate Fraud Governance Structure** to the Audit Committee Meeting of June 12, 2023, be received.
2. That the updated **Corporate Fraud Governance Structure** and the **Corporate Fraud Prevention Policy**, as set out in **Appendix 1**, be approved.

Overview:

- The purpose of this report is to communicate and obtain approval for the proposed changes to the Corporate Fraud Governance Structure and Corporate Fraud Prevention Policy. The changes are necessary to:
 - Separate management's responsibility (Fraud Prevention Framework) from the Internal Audit function (Investigative Process and Reviews);
 - Outlining the handling of fraud allegations implicating identifiable senior positions; and
 - Defining and outlining the purpose of the reporting hotline.
- The scope of the changes includes:
 - Transferring Corporate Fraud Prevention Policy ownership to the City Legal Services.
 - Renaming the "Fraud Reporting Hotline" to "Ethics Hotline" to reflect the scope of reports the Hotline receives.
- A copy of the updated Corporate Fraud Prevention Policy is included in **Appendix 1**. The previous Corporate Fraud Prevention Policy, GOV-110, dated September 1, 2019, is set out in **Appendix 2**. The process for handling allegations received via the Hotline is detailed in **Appendix 3**.

Background:

As part of the City of Brampton's ("City") commitment to safeguarding its financial viability and reputation, a Fraud Framework was established to prevent, detect, and report incidents of fraud, waste, and ethics violations (hereafter collectively called "fraud") as well as outlining the related investigative processes. On July 4, 2016, the City launched the Corporate Fraud Prevention Hotline ("Fraud Hotline"), which allows City employees to report alleged incidents of fraud. The Fraud Hotline enables 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 secure third-party website or phone through a third-party dedicated toll-free number. Employees should feel empowered to report incidents of suspected fraud to ensure the City's assets are protected.

The current Corporate Fraud Prevention Policy took effect on September 1, 2019. It established the requirements and responsibilities for the prevention, detection, and reporting of fraud, the conduct of fraud investigations, and the consequences when fraud is found to have occurred.

Who Can Use Reporting Hotline?

The Fraud Prevention Hotline, to be renamed "Ethics Hotline," is open to current employees and contractors of the City of Brampton and is not available to residents. Residents can report potential fraud and waste in the City through Service Brampton or by following the Public Complaints Process.

At the request of the Audit Committee, Internal Audit delivered a *Staff Information Report Regarding the Fraud Hotline Expansion to Brampton Residents* at the December 7, 2021, meeting of the Audit Committee. The report was received by the committee under motion AU036-2021. Click [here](#) to see a copy of the report. The Committee or City Council has taken no further action, and the Ethics Hotline remains restricted to current employees and contractors.

It should be noted that concerning staffing the hotline, Internal Audit was not resourced to manage the hotline, or other related support functions, such as information campaigns. Internal Audit currently handles allegations reported through the hotline on a best-effort basis. The December 7, 2021, information report concludes that additional staff is required should the Ethics Hotline be expanded to City residents.

Current Situation:

The experience gained from managing the Fraud Hotline reporting process since the last policy update, a renewed focus on meeting the IIA practice standards, a review of the City of Brampton Audit Charter, and benchmarking work with other cities have

highlighted areas where the fraud governance structure, policies and procedures need to be clarified and strengthened.

The changes presented in this report will enhance existing corporate policies and procedures.

The Policy Changes: What has changed and Why?

1. The ownership of the Corporate Fraud Prevention Policy is moving from Internal Audit to the office of the Chief Administrative Officer (“CAO”)

1.1. Ownership of the Corporate Fraud Prevention Policy: City Legal Services

Ownership of the Corporate Fraud Prevention Policy is moving to the CAO’s office. The CAO has delegated responsibility for revising and maintaining the Policy to the City Solicitor.

1.2. Responsibility for Investigations: Internal Audit

Internal Audit will continue to manage the Hotline Operations. This includes coordinating and managing the allegations received via the Hotline and the related investigations, providing advisory services on the associated inquiries, and regularly updating the City Audit Committee on the allegations received and their disposition.

Why did we change?

Managing fraud risk and responsibility for managing the Hotline and investigating fraud allegations are incompatible roles and should be segregated. Management is responsible for managing corporate risk, including fraud risk, while Internal Audit is responsible for assessing the City’s Fraud Prevention Policy and practices objectively and independently, as well as coordinating/conducting/managing investigations of detected fraud and fraud allegations.

Finally, the current structure does not comply with the City of Brampton Audit Charter: *“Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.”*

2. Investigations of allegations implicating certain identifiable senior positions will be outsourced to third-party investigators.

Internal Audit will outsource the investigation of all fraud allegations implicating identifiable senior positions (the CAO, Department Heads, City Clerk, City Solicitor, Director of Human Resources, Director of Internal Auditor, and City Treasurer) to a third-party investigator.

The new process will remove Internal Audit from handling the allegations and related investigations of the identifiable senior positions.

3. Renaming the Fraud Hotline: Ethics Hotline

The name “Ethics Hotline” better reflects the mix of allegations coming through the Hotline, including violations of ethics and the Code of Conduct, waste, and fraud.

Operational Prerequisites

Specific processes and services are required to implement the policy changes effectively. The operational approach described in **Appendix 3** was designed with the following objectives:

- Minimizing staff involvement in investigations that involve identifiable senior positions;
- Retaining a third-party investigator as quickly as possible after an allegation implicating identifiable senior positions has been submitted to the Ethics Hotline; and,
- Clarifying the handling of allegations that can best be directed toward the Accountability Officers defined under the *Municipal Act, 2001*.

Internal Audit, in collaboration with Purchasing, is creating a roster of pre-qualified third-party investigators with standardized agreements to meet these objectives. The RFP to build the roster is open and will close on June 22, 2023.

Corporate Implications:

Financial Implications:

IA staff will continue to manage the Fraud Hotline on a best-effort basis in 2023. Any increase to the operating budget will be assessed during the 2024 budget process.

Other Implications:

N/A

Term of Council Priorities:

This report fulfills the Council Priority of “Brampton is a well-run city” by enhancing the Corporate Fraud Prevention Policy and Fraud Governance Structure, which promotes corporate accountability, our values, and governance best practices.

Conclusion:

The policy changes, operational approach, and funding requirements identified in this report will achieve the objectives of segregating management functions (Fraud Prevention Framework) from Internal Audit functions (investigative process), clarifying the purpose of the reporting hotline, clarifying the handling of fraud allegations involving identifiable senior positions and minimizing Internal Audit staff involvement in those investigations.

Jointly Authored by:

Sameer Akhtar

City Solicitor, Legal Services

Claire Mu

Director, Internal Audit

Marlon Kallideen

Chief Administrative Officer

Attachments:

Appendix 1: Updated Corporate Fraud Prevention Policy 2023
Appendix 2: Corporate Fraud Prevention Policy GOV-110- v September 2019
Appendix 3: Operational Approach

Category: Governance

Title: Corporate Fraud Prevention Policy

Policy Number: TBD

Approved by: [Committee Recommendation #], [Council Resolution #]

Administered by: Legal Services

Effective: June 12, 2023

1. Background

The City of Brampton ("City") is committed to maintaining an environment of fairness, ethical behaviour, honesty, and intolerance of Fraud. In line with that commitment, the City has implemented the Corporate Fraud Prevention Policy to reinforce the City's commitment to Fraud prevention and detection and set out the City's response to allegations of suspected or actual Fraud.

2. Purpose

This Policy aims to establish the requirements and responsibilities for the prevention, detection, and reporting of Fraud, the conduct of Fraud investigations, and the consequences when Fraud has occurred.

3. Application and Scope

- 3.1 This Policy applies to all employees or persons acting on behalf of the City, including management, bargaining unit staff, and full-time, part-time, permanent, volunteer, and contract employees.
- 3.2 This Policy does not apply to the Mayor and Councillors, whom the Council Code of Conduct governs. Any allegations implicating the Mayor and Councillors may be directed to the Office of the Integrity Commissioner.

4. Outcomes

- 4.1 An environment of fairness, ethical behaviour, honesty, and intolerance of Fraud.
- 4.2 Commitment to Fraud prevention and detection.
- 4.3 Defined roles and responsibilities in response to suspected acts of Fraud.

5. Policy Statements

- 5.1 This Policy addresses specific guidelines and responsibilities regarding actions for detecting, reporting, and investigating Fraud or other similar irregularities.
- 5.2 The City will identify and promptly investigate any possible Fraud or unethical activities against the City and pursue legal remedies when appropriate.
- 5.3 The City will take appropriate disciplinary and legal actions against employees and entities, up to and including termination of employment or contract, restitution, and forwarding information to the appropriate authorities for criminal prosecution.
- 5.4 This Policy clarifies acts that are considered Fraudulent and describes the steps to be taken when Fraud or other related irregularities are suspected or have occurred. This statement also includes the procedures to follow in accounting for missing funds, restitution, and recoveries.
- 5.5 Fraud Assessment and Investigation
 - a) Internal Audit will carry out an initial assessment. A determination of whether the allegation warrants additional investigation will be made after completing this assessment.
 - b) The Director of Internal Audit may delegate the investigation to City management, Internal Audit staff, or a third-party investigator. Allegations with implications that are in the purview of an Accountability Office may be forwarded to the appropriate office. See “Special Cases” for exceptions.
 - c) Internal Audit requires regular updates, findings, recommendations, and confirmation of action taken, if applicable, from City management or a third-party investigator.
 - d) Not all Fraud Allegations will result in an investigation. For example, Internal Audit may not investigate allegations that lack relevant details, have no reasonable factual basis to proceed, or are false or vexatious.
 - e) Investigators of suspected Fraud will not disclose or discuss the investigation with anyone other than those with a legitimate need to know.

- f) Internal Audit, in consultation with Legal Services, may report suspected illegal activities to Peel Regional Police or appropriate government agency.
- g) Every reasonable effort shall be taken to recover losses due to Fraud.

5.6 Special Cases

a. Allegations Implicating Identifiable Senior Positions

Where the Chief Administrative Officer (CAO), Department Heads, City Clerk, City Solicitor, Director of Internal Audit, Director of Human Resources, or City Treasurer are implicated in allegations of Fraud, a third party will be retained to investigate the allegations and transmit their findings to Brampton City Council.

b. Allegations on Matters That Fall Under the Accountability Offices

From time to time, allegations on matters intended for the Accountability Offices as defined in the *Municipal Act, 2001* may come through the City's Ethics Hotline. In such cases, Internal Audit will advise the complainant(s), forward the allegation to the appropriate City of Brampton's Accountability Office, and close the case. Cases may also be forwarded to the City of Brampton's Accountability Offices if an aspect of an allegation falls within their purview. The City has established three Accountability Offices: The Integrity Commissioner, Lobbyist Registrar, and Closed Meeting Investigator. In addition, the Ontario Ombudsman currently functions as Brampton's Municipal Ombudsman.

5.7 Protection Against Reprisal

The City will not tolerate any form of retaliation against persons who, in good faith, provide information concerning Fraud. No one governed by this Policy shall retaliate against an employee reporting Fraud with the intent of adversely affecting the terms or conditions of employment or otherwise.

- 5.8 This Policy is designed to augment any other corporate policies containing related information. It does not replace or preclude them. To the extent that this Policy may conflict with any other corporate policies containing related information, this Policy will take precedence to the extent only of such conflict. Alternatively, please refer to clause 6.10 of this policy for resolution.

6. Roles and Responsibilities

Employee Responsibilities

- 6.1 All employees must review this Policy annually and sign an acknowledgment form.

- 6.2 When suspected Fraudulent incidents or practices are observed by or made known to any person governed by this Policy, the following will be done:
- a) Suspected incidents or practices of Fraud will be reported to the supervisor for reporting to the proper management official. When the employee believes the supervisor may be involved in inappropriate activity, the employee will make the report directly to a higher level of management.
 - b) All suspected Fraudulent incidents or practices must be reported to the City's Ethics Hotline immediately. Reporting can be done either by the employee, their supervisor, or the Human Resources staff that they have consulted with. Reporters using the Hotline may choose to remain anonymous.
 - c) Any City employees will report suspected Fraud to the City's Ethics Hotline and, when doing so, must act in good faith and have reasonable grounds for believing the information provided. No person shall make an allegation that is known to be false.
 - d) The person reporting the Fraud shall provide sufficient information to allow a reviewer to assess the allegation. This should include a synopsis of the Fraud, specific actions, dates or timelines, and persons involved.
 - e) All employees must cooperate with Fraud investigations.

Management Responsibilities

- 6.3 Management should be familiar with the types of Fraud in their area and create and maintain effective monitoring, review, and control procedures to prevent and detect Fraud, misappropriations, and other irregularities.
- 6.4 The Corporate Leadership Team is responsible for taking corrective actions on confirmed Fraud and engaging Human Resources and Legal Services as required.

Human Resource Responsibility

- 6.5 Human Resources will provide all new employees and volunteers with a copy of the Policy as part of their orientation. In addition, the new employees and volunteers will acknowledge receipt of the Policy in writing.
- 6.6 On an annual basis, all employees must read and acknowledge understanding of this Policy by signing an acknowledgment form.
- 6.7 Human Resources will retain copies of the written acknowledgment by individuals who have received this Policy. Acceptable record retention includes digital acknowledgement and check-box.

Internal Audit Responsibilities

- 6.8 Internal Audit is responsible for managing and coordinating the investigation of all suspected Fraud and related investigative activities with appropriate parties and authorities.
- 6.9 Internal Audit shall advise the Council and the Chief Administrative Officer of any allegations involving significant and imminent risk to the City.

City Legal Services Responsibilities

- 6.10 City Legal Services owns the City's Fraud Prevention Policy and is responsible for this Policy's periodic review, revision, and interpretation.

7. Monitoring and Compliance

Non-compliance with this Policy may result in disciplinary action, up to and including termination of employment and prosecution by appropriate authorities.

8. Definition of Fraud

'Fraud' for this Policy means all unethical or dishonest acts, deception, abuse, waste, and misconduct including, but not limited to:

- a) Diversion, manipulation, misapplication, mistreatment, or misuse of City resources;
- b) A false representation of facts, including making false or misleading statements or trying to hide wrongdoing by a person or an organization;
- c) Deception which is intentional and results in a benefit to a person, causes damage, harm, or loss to the City or others;
- d) Unnecessary spending or careless squandering of the City's resources;
- e) Conduct contrary to the Employee Code of Conduct, specifically:
 - Failure to disclose a conflict of interest, whether direct or indirect;
 - Breach of trust;
 - Solicitation of gifts and benefits; and
 - Unauthorized use of City property and Assets for personal benefit, gain, or enjoyment.

Please refer to **Appendix A** for some examples of Fraud under this Policy.

9. References and Resources

This Policy should be read and applied in conjunction with the following references and resources as updated from time to time. Please note that some of the following documents may not be publicly available.

References to related by-laws, Council Policies, and Administrative Directives

- [Employee Code of Conduct](#)
- [Employee Expense Policies](#)
- [Information Technology Use Policy](#)
- [Respectful Workplace Policy](#)
- [Purchasing Card Policy PUR-120](#)
- [Purchasing By-Law 19-2018](#)
- [Conflict of Interest Provincial Offences Act Policy](#)

References to related corporate-wide procedures, forms, and resources

- [Fraud Service Card](#)
- [ClearView Connects \(Ethics Reporting Hotline\)](#)

Revision History

Date	Description
2018/03/07	Replaces Policy 2.14.0 Corporate Fraud Prevention Policy
2019/09/25	The annual review resulted in minor edits. Amended by Council Resolutions C353-2019 and AU0352019.
2023/05/25	<p>Policy amended through [CPT to insert resolution number].</p> <p>The review resulted in revisions/additions to clarify the following:</p> <ul style="list-style-type: none">• City Legal Services, as the Chief Administrative Officer's designate, owns the Fraud Prevention Policy and is responsible for the policy's periodic review, update, and interpretation.• The City's Fraud Hotline has been renamed to "Ethics Reporting Hotline."• Internal Audit leads the assessment, investigation, and reporting processes of allegations received by the Ethics Reporting Hotline.• Where the CAO, Department Heads, City Clerk, City Solicitor, City Treasurer, Director of Human Resources, or

Date	Description
	<p>Director of Internal Audit are implicated in allegations of ethics violations, the investigative process has been updated.</p> <p>In addition, minor changes were made to clarify the “Outcomes” and “Policy Statement” sections. In addition, “Director, Internal Audit” has replaced “Chief Audit Executive.” The revised policy mandated reporting of “All suspected fraudulent incidents or practices must be reported to the City’s Ethics Reporting Hotline immediately. Reporters using the Hotline may choose to remain anonymous.” to paragraph 6.2 b) based on benchmarking against other municipalities.</p>
2024/05/01	Next Scheduled Review

Appendix A

Some examples of Fraud under this Policy include:

- Obtaining a benefit or service from the City for which the person does not qualify;
- Providing a City benefit or service to a person for which that person does not qualify;
- Unauthorized reductions in fees or fines;
- Suspending or terminating enforcement action based on a personal relationship;
- Bid-fixing;
- Authorizing contracts in violation of city purchasing laws;
- Failure to disclose an actual or potential conflict of interest;
- Accepting bribes or kickbacks;
- Accepting gifts over \$50;
- Carrying on a personal business during City of Brampton work hours using City resources;
- Wilful destruction of City property;
- Forgery or alteration of a cheque, document, or account belonging to the City;
- Misappropriation or embezzlement of City funds, securities, supplies, or other Assets;
- Unauthorized personal use of Assets;
- Personal use of procurement cards (P-Card) without reimbursement;
- Making an allegation of Fraud known to be false;
- Profiting as a result of insider knowledge;
- Theft of cash, cheques, procurement cards, or other Assets;
- Falsifying records such as timecards, expense reports, or official documents;
- Any activity (including computer-related) involving the alteration, destruction, forgery, or manipulation of data for Fraudulent purposes or misappropriation of City-owned software, hardware, or other Assets;
- Breach of federal, provincial, or municipal legislation;
- Disclosure of confidential information for personal gain;
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/material to the City or City job applicants;
- Unauthorized use or misuse of City facilities, equipment, vehicles, or other Assets;
- Falsifying time worked or leave taken on a timesheet;
- Retaining ineligible dependents on health care coverage; and
- Incurring unnecessary costs due to inefficient or negligent practices, systems, or controls.

Category: Governance

Title: Corporate Fraud Prevention Policy

Policy Number: GOV-110

Approved by: AU035-2019, C353-2019

Administered by: Office of Internal Audit

Effective: September 1, 2019

1. Background

The operation of municipalities is subject to risk of Fraud.

The City's goal is to establish and maintain an environment of fairness, ethical behaviour and honesty for employees, contractors, suppliers and those with whom the City has a relationship. To maintain such an environment requires the active assistance of each and every employee every day.

The City is committed to the deterrence, detection and correction of Fraud, implementation of measures to prevent, detect and report Fraud, and investigation of any suspected acts of Fraud.

2. Purpose

The purpose of this Policy is to provide guidance and establish responsibilities for the prevention, detection and reporting of Fraud, the conduct of Fraud investigations and the consequences when Fraud is found to have occurred.

3. Application and Scope

3.1 This Policy applies to:

- All employees or persons acting on behalf of the City including management, bargaining unit staff and regular and temporary employees; and
- Contractors, vendors and outside agencies doing business with the City who have agreed to be bound by this Policy.

- 3.2 This Policy does not apply to the Mayor and Members of Council who are governed by a separate Council Code of Conduct. Any behaviour or activity that contravenes that Code may be directed to the Office of the Integrity Commissioner.
- 3.3 This Policy applies to acts of unethical or dishonest conduct defined as Fraud for the purposes of this Policy.

4. Outcomes

- 4.1 Intended outcomes of this Policy are:
- a. An environment of fairness, ethical behaviour and honesty for our employees, contractors, suppliers and other parties with whom the City has established a relationship;
 - b. Zero tolerance for Fraud; and
 - c. Reasonable efforts to obtain recovery of any losses due to Fraud.

5. Policy Statements

- 5.1 Any person who suspects an act of Fraud by anyone who falls under the scope of this Policy must immediately report the event. Reports shall be made directly to the Chief Audit Executive (CAE), to their supervisor, or anonymously via the Fraud Prevention Hotline.
- 5.2 The City will not tolerate any form of retaliation against Whistleblowers who, in good faith, provide information concerning Fraud.
- 5.3 City staff are responsible for reporting, in good faith, any suspected Fraud.
- 5.4 Suspected acts of Fraud will be investigated in an impartial manner regardless of the suspected person's length of service, position, title or relationship to the City.
- 5.5 Due to the important and sensitive nature of suspected Fraud, effective professional follow-up and investigation is critical. Persons reporting suspected Fraud should not, under any circumstances, perform investigative or other follow-up steps on their own.
- 5.6 The Office of Internal Audit should be contacted if there are any questions or for clarification of what constitutes Fraud.

6. Definitions

- 6.1 In this Policy,

Assets – All property of the City, including but not limited to equipment, financial assets, land, vehicles, material, uniforms, cell phones, computers, electronic mail,

internet services, records, information and work time;

City – The Corporation of the City of Brampton;

Fraud – All unethical or dishonest acts, deception, abuse, waste and misconduct including, but not limited to:

- a. Intentional diversion, manipulation, misapplication, mistreatment or misuse of City resources;
- b. A false representation of facts, including making false or misleading statements, or trying to hide wrongdoing by a person or an organization;
- c. Deception which is intentional and results in a benefit to a person and/or causes damage, harm, or loss to the City or others;
- d. Unnecessary spending or careless squandering of the City's resources;
- e. Conduct contrary to the Employee Code of Conduct, specifically:
 - Failure to disclose a conflict of interest of whether direct or indirect;
 - Breach of trust;
 - Solicitation of gifts and/or benefits; and
 - Unauthorized use of City property and Assets for personal benefit, gain or enjoyment.
- f. Examples of fraud under this Policy include:
 - Obtaining a benefit or service from the City for which the person does not qualify;
 - Providing a City benefit or service to a person for which that person does not qualify;
 - Unauthorized reductions in fees or fines;
 - Suspending or terminating enforcement action based on a personal relationship;
 - Bid-fixing;
 - Authorizing contracts in violation of City purchasing laws;
 - Failure to disclose an actual or potential conflict of interest;
 - Accepting bribes or kickbacks;
 - Accepting gifts in excess of \$50;
 - Carrying on a personal business during City of Brampton work hours using City resources;
 - Wilful destruction of City property;
 - Forgery or alteration of a cheque, document, or account belonging to the City;
 - Misappropriation or embezzlement of City funds, securities, supplies or other Assets;
 - Unauthorized personal use of Assets;
 - Personal use of procurement cards (P-Card) without reimbursement;
 - Making an allegation of fraud known to be false;
 - Profiting as a result of insider knowledge;
 - Theft of cash, cheques, procurement cards or other Assets;

- Falsifying records such as timecards, expense reports or official documents;
- Any activity (including computer related) involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes or misappropriation of City-owned software, hardware or other Assets;
- Breach of federal, provincial or municipal legislation;
- Disclosure of confidential information for personal gain;
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/material to the City or City job applicants;
- Unauthorized use or misuse of City facilities, equipment, vehicles or other Assets;
- Falsifying time worked or leave taken on a timesheet;
- Retaining ineligible dependents on health care coverage; and
- Incurring unnecessary costs as a result of inefficient or negligent practices, systems or controls.

Good Faith – A sincere belief or motive without any malice or the desire to defraud others.

Person – Includes individuals and companies;

Whistleblower – A person who, in good faith, reports an activity which he or she believes to be Fraud.

7. Investigating Fraud

- 7.1 The Office of Internal Audit has the primary responsibility for the management and coordination of the investigation of all suspected Fraud and related investigative activities with appropriate parties, as required.
- 7.2 The Office of Internal Audit and, if applicable, the members of the investigative team will have:
 - Free and unrestricted access to all City records, except records which are protected by law, and premises, whether owned or rented.
 - The authority to examine, copy and/or remove all or any portion of the contents of files, desks, cabinets and other storage facilities (whether in electronic or other format) without the prior knowledge or consent of any person who might use or have custody of such items or facilities when it is within the scope of investigation or related follow up activities.
- 7.3 Any person involved in an investigation of suspected Fraud shall keep the content of the investigation confidential. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know.

- 7.4 At the conclusion of an investigation, the CAE will report to a member of the Senior Leadership Team whom the CAE considers appropriate on any findings of active fraud or a breach of this Policy.

8. Acting in Good Faith

- 8.1 Anyone reporting a Fraud must act in good faith or have reasonable grounds for believing the information provided. No person shall make an allegation that is known to be false.
- 8.2 No disciplinary action will be recommended or taken against a person who makes an allegation of fraud in good faith, regardless of the outcome of the investigation.

9. Whistleblower Protection

- 9.1 All Whistleblowers' identities will remain confidential and anonymous.
- 9.2 No one governed by this Policy shall retaliate against a Whistleblower for reporting in good faith an act that the Whistleblower believes to be fraudulent or dishonest with the intent of adversely affecting the terms or conditions of employment or otherwise.
- 9.3 Protection from retaliation does not prohibit managers or supervisors from taking action, including disciplinary action, as part of their normal duties and based on valid performance-related factors.

10. Fraud Awareness Training

- 10.1 Each City employee is required to attend at least one session of Fraud Awareness Training every two years. Coordination and tracking of training will be done by the Human Resources Division.

11. Distribution

- 11.1 All newly hired employees and volunteers will be provided with a copy of the Policy as part of their orientation and will be required to provide a written acknowledgement upon receipt of the Policy.
- 11.2 On an annual basis, all employees are required to read and acknowledge understanding of this Policy by signing an acknowledgement form.

12. Related Policies and Administrative Directives

- 12.1 This Policy is designed to augment the Corporate policies, identified in Section 15, and is not intended to replace or preclude them.
- 12.2 To the extent that this Policy may conflict with any other policies containing related information, this Policy shall apply.

13. Roles and Responsibilities

13.1 Council is responsible for:

- a. ensuring adequate resources are made available to support investigations.

13.2 Chief Audit Executive (CAE) is responsible for:

- a. Management and coordination of investigations;
- b. Advising Council and, if appropriate, the CAO, of any allegations that, if true, may involve significant, imminent risk to the City;
- c. Administration, recommended revision, interpretation and application of this Policy; and
- d. Management and coordination of the investigation of all suspected Fraud and related investigative activities with appropriate parties and authorities, as required.

13.3 Employees with direct reports are responsible for:

- a. Recognizing the types of Fraud, risks and potential exposures within their area of responsibility and be alert for any indications of such;
- b. Creating and maintaining effective monitoring, review and control procedures to prevent and detect Fraud; and
- c. Retaining accountability for the effectiveness of the above responsibilities even when authority to carry them out is delegated to subordinates.

13.4 All Employees are responsible for:

- a. Reporting, in good faith, any suspected Fraud.

13.5 Human Resources Division is responsible for:

- a. Providing a copy of this Policy to all newly hired City employees and volunteers as part of their orientation;
- b. Retaining a copy of the written acknowledgement that the individual(s) have received this Policy; and
- c. Obtaining annual confirmation of adherence to this Policy from all employees.

13.6 Senior Leadership is responsible for:

- a. Management action on confirmed fraud breach;
- b. Creating monitoring for the detection and prevention of fraud.

14. Monitoring and Compliance

14.1 Consequences of non-compliance

- a. Non-compliance with this Policy by a person who falls under the scope of this Policy may result in disciplinary action up to and including dismissal and/or prosecution by appropriate authorities. The Director of Human Resources and/or the City Solicitor will be consulted by the Chief Audit Executive in advance of such action being taken.
- b. Failure to comply by a consultant, vendor, contractor, outside agency, person doing business with the City or otherwise within the scope of this Policy, may result in action being taken, including the cancellation of the business or other relationship between the entity and the City, or the termination of any contract in accordance with its terms.
- c. Any evidence of Fraud may be reported to the appropriate regulatory or other authorities.
- d. The City will pursue every reasonable effort to obtain recovery of losses due to Fraud.

15. References and Resources

This Policy should be read and applied in conjunction with the following references and resources as updated from time to time. Please note that some of the following documents may not be publically available.

References to related bylaws, Council policies, and administrative directives

- Conflict of Interest Policy
- Conflict of Interest Provincial Offences Act Policy
- Employee Code of Conduct
- Employee Expense Policies (various)
- Information Technology Use Policy
- Respectful Workplace Policy
- [Purchasing Card Policy PUR-120](#)
- [Purchasing By-Law 19-2018](#)

Revision History

Date	Description
2018/03/07	Replaces Policy 2.14.0 Corporate Fraud Prevention Policy
2019/09/25	Annual review resulted in minor edits to add clarity to provisions; adding definitions for person and good faith; adding a complaint made in bad faith under the definition of fraud; adding reporting to a

Date	Description
	member of the Senior Leadership Team any findings of fraud investigations as appropriate and additional provision on protection of whistleblowers from retaliation. Housekeeping edits to the template Amended by Council Resolutions C353-2019 and AU035-2019.
2020/08/05	Next Scheduled Review (<i>annual review</i>)

Appendix 3: Operational Approach

The following document describes the process followed by Internal Audit in handling allegations received via the City's Ethics Hotline.

There are three categories of potential allegations received via the City's Ethics Hotline.

- Allegations on matters that fall under the Accountability Offices as defined by the *Municipal Act, 2001* in Part V.1 Accountability and Transparency
- Allegations implicating identifiable senior positions, including the Chief Administrative Officer ("CAO"), Department Heads, City Treasurer, City Solicitor, Director of Internal Audit, Director of Human Resources, and City Clerk
- All other allegations

Each of these categories has separate handling instructions described in more detail below. A diagram of the process flow for handling each category of allegations is located on the last page of this document.

Allegations that Fall Under the Accountability Offices as defined by the *Municipal Act, 2001*

From time to time, allegations intended for the City's Accountability Offices as defined by the *Municipal Act, 2001*, do come through the City's Ethics Hotline. Internal Audit will forward those allegations to the appropriate Accountability Offices and close the cases. It is important to note that the City of Brampton Ethics Hotline does not act as an intake service for any of the Accountability Offices.

The City has established three Accountability Offices: The Integrity Commissioner, Lobbyist Registrar, and Closed Meeting Investigator. In addition, the Ontario Ombudsman currently functions as Brampton's Municipal Ombudsman.

Allegations Implicating Identifiable Senior Positions

Allegations implicating one or more of the identifiable senior positions will be outsourced to a third-party investigator. These identifiable senior positions include the CAO, Department Heads, City Clerk, City Solicitor, City Treasurer, Director of Human Resources or Director of Internal Audit.

The objectives for handling these types of allegations are to:

- Minimize staff involvement in investigations that involve Senior Leadership; and,
- Retain a third-party investigator as quickly as possible after receiving an allegation through the Ethics Hotline. The only exception is the Director of Internal Audit, where an

allegation implicating the Director of Internal Audit will be forwarded to the CAO for review.

The role of the Director of Internal Audit in an investigation is restricted to administering the third-party investigator contract and coordinating activities where necessary. Accordingly, the Director will not participate in nor influence the investigation.

On matters to be presented to the City Council, the Director of Internal Audit will communicate through the Chair and Vice-Chair of the Audit Committee and coordinate with the third-party investigator.

All Other Allegations

Internal Audit will manage all other allegations and the related investigations that do not implicate members of the City Council nor identifiable senior positions. The investigations will be handled based on the scope of the implications:

- Internal Audit will investigate those allegations that Internal Audit deems to have corporate-wide implications.
- Allegations that do not have a corporate implication may be delegated to management with a request to report back on the disposition of the allegations.

Process Description

Workflow Diagram

A diagram of the process flow for handling each category of allegations is located on the last page of this document. The workflow follows the basic framework already in place for investigating cases of alleged fraud. Key process points are numbered to facilitate discussion.

Managing the Case Management System

The ClearView Case Management System (CMS) notifies the Internal Audit Director (and designated Internal Audit staff) of new reports received by the Ethics Hotline. Internal Audit may create reports in the CMS when a case is reported directly to them or may direct City staff to create a report. Internal Audit handles all further updates and the closing of CMS cases. Internal Audit will provide an update to the Audit Committee on reports received and their status.

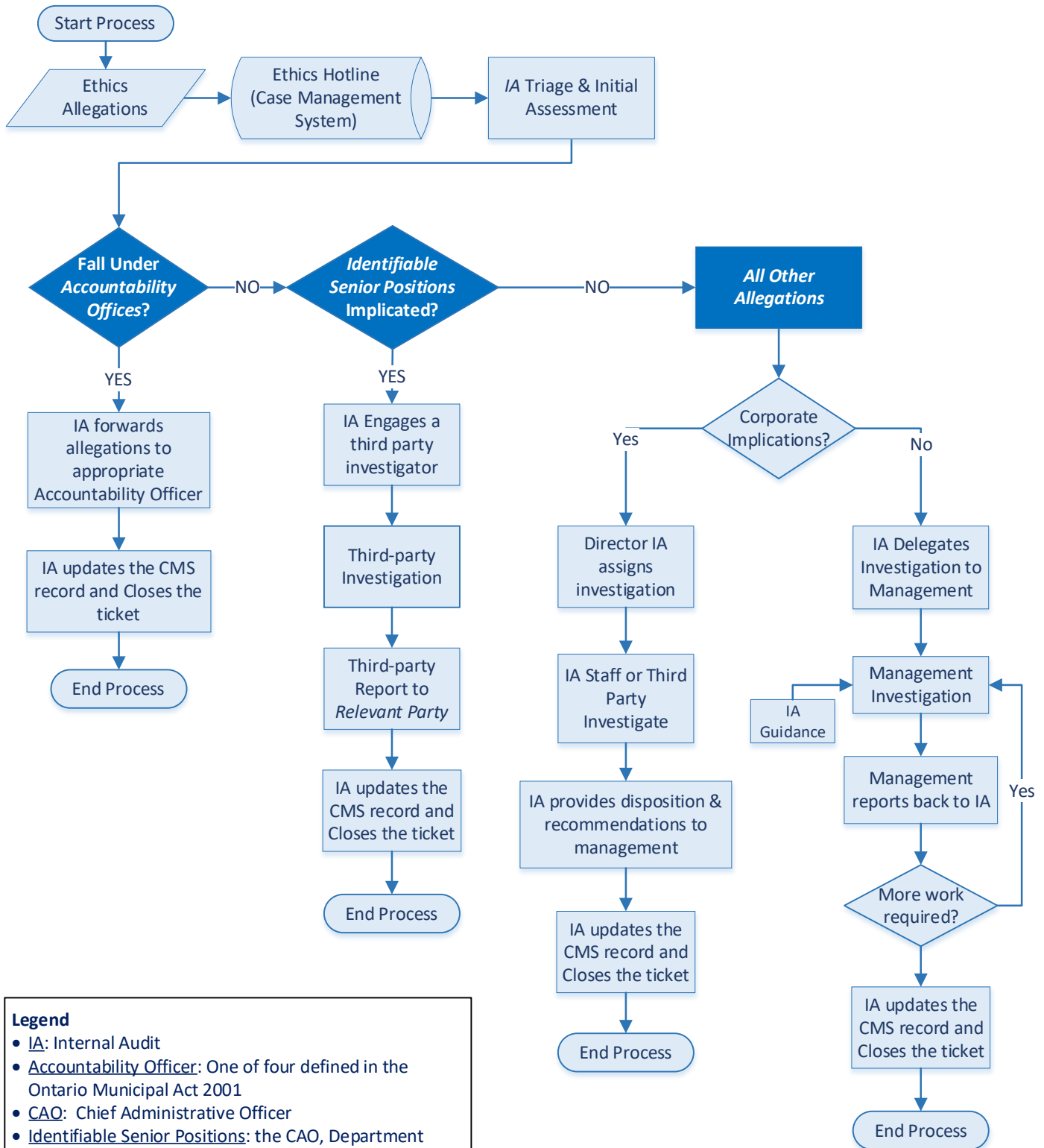
Reporting of Allegations Delegated to Management for Investigation

Internal Audit, when delegating the investigation of the allegations to management, will request a report back on the disposition of the allegations and the rationale behind the disposition within a certain time frame. Once management submits the results of the investigation to Internal Audit, Internal Audit will review the disposition and the rationale behind the disposition and close the allegations. Internal Audit may ask clarification questions or advise further investigative steps to be taken before closing the allegations.

Roster

Internal Audit is in the process of establishing a roster of prequalified firms specializing in investigations. Firms on the roster can be engaged more quickly to perform the assessment or investigation of allegations.

Workflow Diagram



Legend

- **IA:** Internal Audit
- **Accountability Officer:** One of four defined in the Ontario Municipal Act 2001
- **CAO:** Chief Administrative Officer
- **Identifiable Senior Positions:** the CAO, Department Heads, City Clerk, City Solicitor, City Treasurer, Director of Human Resources or Director of Internal Audit.
- **Relevant Party:** Either City Council, the Audit Committee or the CAO

Date: 2023-05-31

Subject: **Internal Audit Work Plan Status Update**

Contact: Claire Mu, Director, Internal Audit, 905-874-2215,
fang.mu@brampton.ca

Report Number: CAO's Office-2023-501

Recommendations:

1. That the report titled: **Internal Audit Work Plan Status Update** to the Audit Committee Meeting of June 12, 2023, be received.

Overview:

- To provide an update regarding the Internal Audit Work Plan and progress against the plan, as set out in Appendix 1.
- The 2023 Internal Audit Work Plan is at risk and unlikely to be completed.
 - Staff retention and attraction remain an issue.
 - Internal Audit currently has two vacant audit positions and one seconded role, with the secondment ending in July. Recruitment is ongoing for the two audit positions.
 - 25% of the plan is on hold until new auditors can be onboarded.
 - Internal Audit and Human Resources re-evaluated Internal Audit positions to offer candidates more competitive compensation.
 - Internal Audit aims to fill all positions by Q3/4 this year.
- A Senior Advisor, Audit Communications role was added to Internal Audit in the 2023 budget, and recruitment is underway.

Background:

The Director of Internal Audit is required to report periodically to the Audit Committee regarding the Internal Audit Work Plan ('Work Plan') and progress against the plan. The Work Plan may be adjusted based on any information, issues, or concerns that have

been identified. The Director is also responsible for communicating the impact of resource limitations on the Work Plan, adjustments, and significant changes to the Work Plan. The current 2023 Internal Audit Work Plan was presented at the February 21, 2023, meeting of the Audit Committee.

Current Situation:

2023 Internal Audit Work Plan

It is unlikely that Internal Audit will complete the 2023 Work Plan due to staff departures and a lack of qualified auditors applying for the vacant positions. The primary reason cited by applicants that turn down job offers and departing employees is better wages and growth opportunities elsewhere.

Internal Audit and Human Resources worked on re-evaluating the audit positions and wage bands, and the City is now in a better position to offer candidates competitive compensation. This work has taken several months to complete and is significant in stabilizing the workforce for Internal Audit. We aim to fill all vacancies in Q3/Q4 of this year.

Appendix 1 sets out the status of the 2023 Audit Work Plan. Two of the eight planned audits are on hold and may be deferred to 2024, pending hiring recruitment results. Our next Audit Committee work plan update will provide a clearer picture. One audit is complete, and four are underway and scheduled to be presented at the September and December meetings of the Audit Committee.

Planned Policy Work – Completed

- We worked with the CAO's Office, City Clerk, and Legal Service to clarify the Corporate Fraud Governance Framework.
- We worked with the City Clerk and the Legal Services staff on joining the Audit Committee Terms of Reference and Internal Audit Charter for presentation to the Audit Committee for approval and enactment in a By-law.

Other Planned Work – Impacted by the Staffing Constraints

- We will continue to monitor the Ethics Hotline and provide advice on the investigations on a best-effort basis to focus on the audit work plan.
- We continue to work towards IIA compliance.
- The automation of the Management Action Plan follow-up processes is on hold pending staff availability.

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' by establishing a risk-based audit Work-Plan which promotes corporate accountability, values, and governance best practices.

Conclusion:

The Internal Audit Work Plan will be reviewed regularly and updated when needed. Internal Audit intends to keep the Work Plan agile and flexible, ensuring that identified and emerging risks are appropriately addressed. The Plan is designed to add value to the organization and provide the highest standard of professional, independent, and timely solutions in partnership with City departments.

Authored by:

Richard Gervais, Senior Advisor
Internal Audit

Reviewed and approved by:

Claire Mu, Director
Internal Audit

Attachments:

Appendix 1: 2023 Internal Audit Work Plan

Appendix 2: Internal Audit Work-Plan 2023

The following activities can be found in this appendix:

- The Status of planned 2023 audit engagements; and,
- Other audit projects on the horizon that can be used as replacement projects for the 2023 audit engagements or projects to be taken on if resources are available

Planned 2023 Audit Engagements

Engagements	Scope of work	Plan Status
Data Privacy and Security	Assess the effectiveness of IT management controls that ensure the privacy, confidentiality, and integrity of data in keeping with City policies and external requirements. This audit scope would include data-at-rest and data-in-transit managed by the City and key vendors.	In Progress Q4 Audit Committee
Cyber Risk Audit	To provide an independent assessment of whether the City of Brampton's Information Technology (IT) systems and assets are adequately protected from external and internal cyber threats. The engagement will focus on testing cyber security controls to ensure their functionality and effectiveness.	In Progress Q4 Audit Committee
Bovaird Barn	To audit matters related to the acquisition and relocation of a historic agricultural building, the Robinson barn, from Caledon to the Historic Bovaird House site in Brampton. This was added to the Internal Audit Work Plan through Committee of Council resolution CW420-2022.	In progress Q3 Audit Committee
Asset Management – Public Works	This audit will review of processes in place to procure, store, monitor, dispose and safeguard small movable machinery, equipment, tools used in City operations.	On Hold Pending hiring process

Engagements	Scope of work	Plan Status
By-Law Enforcement – Non-Parking	This audit will review the processes and practices related to by-law enforcement activities. Audit staff will focus on specific by-laws and related enforcement activities.	On Hold Pending hiring process
Development Fees and Charges	The audit will review the adequacy of controls around the development fee process and ensure fees collected are complete, accurate and timely. It will also assess compliance with relevant By-laws, policies and legislation including the Development Charges Act (1997).	Complete Q2 Audit Committee
Business and Property Tax	The audit will review property tax processes, compliance with applicable policies, procedures, and the internal control framework to verify the effectiveness and efficiency of the property tax billing, collection, and refund process.	In progress Q4 Audit Committee
Fleet Maintenance (Non-Transit)	The audit will review controls in place around fleet maintenance operations, including preventative maintenance, inspections and repairs. It will aim to determine the efficiency and effectiveness of current vehicle maintenance practices.	Q4 Audit Committee

Audits on the Horizon

These are potential replacement projects in 2023 or projects to be taken on if additional resources are available.

Engagements	Scope of work
PCard Purchases	The audit will assess the adequacy of controls over purchases made with P-Cards. It includes an assessment of the P-Card policies and procedures as well as determining the extent of compliance through transactional analytics and testing.
Fleet Asset Management	The audit will review controls in place around vehicle acquisitions, disposals, utilization, and replacements. It will also include a review of rental vehicles and compliance with relevant by-laws, policies and procedures.

Date: 2023-06-02

Subject: **Status of Management Action Plans- Q1 2023**

Contact: Claire Mu, Director, Internal Audit, 905-874-2215,
fang.mu@brampton.ca

Report Number: CAO's Office-2023-514

Recommendations:

That the report titled: **Status of Management Actions Plans- Q1 2023**, to the Audit Committee Meeting of June 12, 2023, be received.

Overview:

- City departments are required to provide Internal Audit with an update on the current status and progress of all outstanding audit 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 information provided reflects the status management action plans on or before March 31, 2023;
- As of March 31, 2023, there were 122 open recommendations, 71 were due according to the original management action plans, 44 were outstanding, 27 action plans were completed, and 51 were not yet due;
- Six audit reports were added to the map register in Q1 2023, adding 83 new recommendations; and,
- **Appendix 1** contains a summary report of the status of action plans. The Management Action Plan status details are set out in **Appendix 2**.

Background:

Per 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 has successfully implemented their management action plans.

Departments are required to provide a quarterly update to Internal Audit on the progress of implementing agreed-upon recommendations. Internal Audit reviews the comments submitted by the department and, where necessary, 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. Where necessary, such follow-up audits are included in Internal Audit's annual work plan and approved by the Audit Committee.

This report summarizes the status of all recommendations implemented by management on or before March 31, 2023.

Current Situation:

By March 31, 2023, there were 122 open recommendations, 71 were due according to the original management action plans, 44 were outstanding, 27 action plans were completed, and 51 were not yet due.

Recommendations and Management Action Plan statistics at a glance.

Status of Recommendations	Q1
Total open recommendations	122
Due	71
Completed	27
Outstanding	44
Not yet due	51

In this quarter, we added the recommendations from the Claim Management, Limited Tendering, Health and Safety, Parks Maintenance, User Fee, and IT Infrastructure and Cloud Mgmt audits to the register.

Please refer to **Appendix 1** for the details of the recommendations as of Q1 2023. For additional information on the outstanding recommendations (outstanding and not yet due), please refer to **Appendix 2**.

We have not verified the implementation status of completed management action plans due to resource constraints. We will be requesting additional resources in 2024 to address this unmet mandate.

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 establishing an internal audit follow-up procedure for implementing audit recommendations, which promotes Corporate accountability, values, and governance best practices.

Conclusion

Internal Audit is committed to continued collaboration with management in regularly reviewing, improving, and updating policies and procedures and enhancing efficiency 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:

Richard Gervais, Sr Advisor
Internal Audit

Reviewed and approved by:

Claire Mu, Director
Internal Audit

Attachments:

Appendix 1: Management Action Plans as of March 31, 2023

Appendix 2: Management Action Plan Status Details as of March 31, 2023

Appendix 1 Management Action Plans as of March 31, 2023

As of March 31, 2023							
Audit Report	Rating	Year	Recs Open Q1 2023	Recs Due Q1 2023	Completed	Outstanding	Not Yet Due
HR Recruitment Follow-Up		2019	2	2		2	
HR Benefits (Phase 1)		2019	2	2		2	
Transit Operations		2020	2	2		2	
Cyber Security Assessment	N/A	2020	2	2		2	
Executive Expenses		2021	1	1		1	
Corporate Governance		2021	10	10		10	
Emergency Expenses		2021	2	2		2	
Vendor Performance Management		2021	2	2		2	
Realty Services – Gap Analysis	N/A	2021	16	6		6	10
Claim Management ¹		2022	13	12	8	4	1
Health and Safety ¹		2022	12	5	5		7
Limited Tendering ¹		2022	7	4	1	3	3
Parks Maintenance ¹		2022	7	0			7
User Fee ¹	N/A	2022	7	0			7
IT Infrastructure and Cloud Mgmt ¹		2022	37	21	13	8	16
		TOTAL	122	71	27	44	51

¹ Added in Q1 2023

APPENDIX 2- Management Action Plan Status Details as of March 31, 2023

Please note that:

- Management Action Plans marked as completed in this report will be omitted from future reports.
- This table excludes Management Action Plans that are not yet due.
- Dates under the “Updated Target Completion Date” column were provided by the client.

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q1 2023
HR Recruitment- 2019 1.4 Policies & Procedures Require Review and Update	Q1 2020	Q2 2023	Outstanding Mandatory Training: E-Learning Recruitment and Inclusive Learning Series rolled out to hiring managers in January 2023. In-person training being sourced through Talent and Organizational Development. Policy updated and reviewed with Commissioner, CSS and submitted to CLT on April 27, 2023, for approval. Once approved, will be submitted to Council for approval. Related SOP will be approved by Director, HR after Council has approved the policy.
HR Recruitment- 2019 1.7 Policies & Procedures Require Review and Update	Q3 2020	Q2 2023	

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q1 2023
HR Benefits (Phase 1)-2019 3.1 Validation of Practitioners for Short Term Disability (STD) Update the Short Term Disability Policy and related Standard Operating Procedures (SOP)	Q4 2019	Q4 2023	Outstanding: Work is underway to update the STD Policy and related SOP by the end of Q3, 2023.
HR Benefits (Phase 1)-2019 3.2 Validation of Practitioners for Short Term Disability (STD) Implement a process to validate that the individual authorizing the Short Term Disability is a licensed medical practitioner as determined by the Short Term Disability policy.	Q4 2019	Q4 2023	Outstanding: The start of this work is dependent on the completion of recommendation 3.1.
Transit Operations-2020 2. Scrap Sales & Potential Exposure	Q1 2022	Q3 2023	Outstanding: Current citywide contract on scrap is up for re-tendering. Completing specifications required additional time, RFP issuance is planned for Q3 2023.
Transit Operations-2020 15. Attendance cards Mechanics and Stock Keepers	Q4 2022	Q4 2023	Outstanding: New requirements and Corporate priorities impacted Transit's project timelines, Project Team will provide new timelines as soon as some important milestones are achieved.

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q1 2023
Cyber Security- 2020 6. Presented in camera Details available upon request	Q4 2021	Q4 2023	Outstanding: Activity on hold due to resource constraints. Resources assigned to new emerging threats.
Cyber Security- 2020 11. Presented in camera Details available upon request	Q4 2021	Q4 2023	Outstanding: Work being undertaken to get cost and effort estimates and identify a suitable solution to pursue.
Executive Expenses- 2021 Support for converted amount of out of country expenses not always included	Q4 2021	Q3 2023	Outstanding: Administrative Directive for Employee Business Expenses (FIN-160) has been reviewed and updated by Finance as well as reviewed by Corporate Policy Team. As per the recommendation from Corporate Policy Team. This amendment will be included in comprehensive Corporate report to Council along with all the other City policy amendments and additions. Corporate Policy team indicated that report will be going to Council in the fall of 2023.
Corporate Governance- 2021 1.1 Implement an Enterprise Risk Management (ERM) Program	Q1 2022	Q2 2023	Outstanding: Interviews for new recruit completed. Offer going out shortly. New recruit expected to be in place before end of Q2, as per target completion date.
Corporate Governance- 2021 1.2 Implement an Enterprise Risk Management (ERM) Program	Q2 2022	Q4 2023	

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q1 2023
Corporate Governance-2021 1.3 Implement an Enterprise Risk Management (ERM) Program	Q4 2022	Q4 2023	
Corporate Governance-2021 1.4 Implement an Enterprise Risk Management (ERM) Program	Q4 2022	Q4 2023	
Corporate Governance-2021 1.5 Implement an Enterprise Risk Management (ERM) Program	Q4 2022	Q4 2023	
Corporate Governance-2021 1.6 Implement an Enterprise Risk Management (ERM) Program	Q4 2022	Q4 2023	
Corporate Governance-2021 4. Exercise of Delegation of Powers and Authorities	Q3 2021	Q4 2023	Outstanding: Review of Administrative Authority By-law and related policy update to start in Q2 2023 for completion by Q4 2023.

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q1 2023
Corporate Governance-2021 5.2 Council Code of Conduct for Council acknowledgement and review	Q1 2022	Q3 2023	Outstanding: Code Acknowledgement form received from some Members. New Code updates to be coordinated through new Integrity Commissioner. Anticipate draft Code of Conduct for Council by Q3 2023.
Corporate Governance-2021 6. Lack of Code of Conduct coverage for Citizen Appointees	Q1 2022	Q3 2023	Outstanding: Work to be coordinated through new Integrity Commissioner. Anticipate draft Code for Citizen Committees by Q3 2023.
Corporate Governance-2021 7. Lack of common Policy to address complaints	Q4 2021	Q4 2022	Outstanding: The policy is awaiting final approval from the main stakeholders.
Emergency Expenses-2021 1.1 Invoice Approval Process Needs to be Strengthened	Q4 2021	Q4 2023	Outstanding: Automation Software went live in November 2022 and is being deployed in stages. The remaining departments will go live by Q4 2023.
Emergency Expenses-2021 1.2 Invoice Approval Process Needs to be Strengthened	Q3 2022	Q4 2023	Outstanding: Automation Software went live in November 2022 and is being deployed in stages. The remaining departments will go live by Q4 2023.
Vendor Performance Management- 2021 1a Vendor Performance Evaluation Effectiveness	Q1 2022	Q4 2022	Outstanding: Changes to the SOP were requested. Upon receipt of the input, the SOP and training material will be finalized.

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q1 2023
Vendor Performance Management- 2021 2.2 Oversight and Utilization of Vendor Performance Data	Q4 2022	Q3 2023	Outstanding: Currently benchmarking with other public agencies utilizing the Vendor Performance module and engaging with the vendor to map current process vs system capability.
Realty Services - 2022 1. Vacant Positions and High Turnover	Q4 2022	Q3 2023	Outstanding: One position remaining to fill.
Realty Services - 2022 4. Transitional building report to Council	Q4 2022	Q2 2023	Outstanding: Work in progress. Report targeted for June 2023.
Realty Services - 2022 6.1 Maintaining proof of Insurance from Tenants	Q2 2022	Q2 2023	Outstanding:
Realty Services - 2022 6.2 Maintaining proof of Insurance from Tenants	Q2 2022	Q4 2023	Outstanding:
Realty Services - 2022 9. Agreements with third-party vendors	Q1 2023	Q3 2023	Outstanding: RFP will be posted in June
Realty Services - 2022 12. Charging User Fees	Q1 2023	-	Outstanding:

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q1 2023
Claims Management - 2022 1.1 – 1.3 Certificates of Insurance are not properly recorded and tracked to ensure the vendor has adequate insurance coverage to protect the City	Q1 2023	Q2 2023	Outstanding: Over 2000 contracts on the Bids & Tenders system were reviewed, and numerous Certificate of Insurance corrections were made; but this was just completed in March. COI SOP has been drafted and shared with Purchasing. Purchasing requires a follow-up meeting. We should have SOP completed and underway by the end of Q2.
Claims Management - 2022 2.1 Risk evaluations not completed in the last few years	Q1 2023	Completed	2 Stated inspections have been completed, and arrangements are underway for further inspections on an ongoing basis
Claims Management - 2022 2.2 Risk evaluations not completed in the last few years	Q1 2023	Completed	Inspection reports have been sent to relevant stakeholders for actioning
Claims Management - 2022 4.1 Key Performance Indicators (KPIs not available for prior years)	Q1 2023	Completed	Completed in Q1
Claims Management - 2022 4.2 Key Performance Indicators (KPIs not available for prior years)	Q1 2023	Completed	Completed in Q1

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q1 2023
Claims Management - 2022 4.3 Key Performance Indicators (KPIs not available for prior years)	Q1 2023	Completed	Completed in Q1
Claims Management - 2022 4.4 Key Performance Indicators (KPIs not available for prior years)	Q1 2023	Q2 2023	Outstanding: Annual reports to be completed in Q2, and the KPI figures will be included in the 2022 report
Claims Management - 2022 5 Trust fund expenditure details submitted by the external adjuster as part of the trust fund reconciliation are not verified by staff for accuracy and supporting evidence	Q1 2023	Completed	Completed: Trust fund review SOP was completed in Q1 and first trust fund reviews will be taking place twice annually.
Claims Management - 2022 6.1 There is no formal quality assurance review process to ensure the accuracy and completeness of claims files	Q1 2023	Completed	Completed Q1 2023
Claims Management - 2022 6.2 There is no formal quality assurance review process to ensure the accuracy and completeness of claims files	Q1 2023	Completed	Completed Q1 2023

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q1 2023
Health and Safety 1.2 Monthly Joint Health and Safety Committee inspections are not always complete	Q1 2023	Completed	Completed: In Q1 2023, completed via email to those JHSCs requesting workplace inspection schedule be completed where it was shown that JHSC members had not scheduled
Health and Safety 3.0 Required Health & Safety Training is not always complete	Q2 2023	Completed	Completed: All the actions were completed as outlined on February 22, 2023 . Essential Learning information was compiled by active employee including reporting relationships. This information was shared with Department Heads for action and follow up. The due dates for all the essential learning courses were updated. The email communication included links to job aids to support. A sample email sent to a Department Head is included as reference.
Health and Safety 6.0 Incident data is not always entered into Parklane in a timely manner.	Q4 2023	Completed	Completed: The process review for entering SREA information into the Parklane system was completed by March 1, 2023. The review included the incident reporting process, as well as a refresher for staff on how to enter data into the system. This ensures that staff are aware of and understand the requirements of the process.
IT Cloud Infrastructure and Cloud Management - 2022 1.0 Presented in camera	2023/12/31	Completed	Completed Presented in camera. Details available upon request

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q1 2023
IT Cloud Infrastructure and Cloud Management - 2022 4.1 Presented in camera Details available upon request	2022/12/31	2023/12/31	Outstanding Presented in camera. Details available upon request
IT Cloud Infrastructure and Cloud Management - 2022 4.2 Presented in camera Details available upon request	2022/12/31	2023/12/31	Outstanding Presented in camera. Details available upon request
IT Cloud Infrastructure and Cloud Management - 2022 4.3 Presented in camera Details available upon request	2022/12/31	2023/12/31	Outstanding Presented in camera. Details available upon request
IT Cloud Infrastructure and Cloud Management - 2022 4.4 Presented in camera Details available upon request	2022/12/31	2023/12/31	Outstanding Presented in camera. Details available upon request
IT Cloud Infrastructure and Cloud Management - 2022 4.5 Presented in camera Details available upon request	2022/12/31	2023/12/31	Outstanding Presented in camera. Details available upon request

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q1 2023
IT Cloud Infrastructure and Cloud Management - 2022 5.1 Presented in camera Details available upon request	2023/12/31	Completed	Completed Presented in camera. Details available upon request
IT Cloud Infrastructure and Cloud Management - 2022 5.2 Presented in camera Details available upon request	2023/12/31	Completed	Completed Presented in camera. Details available upon request
IT Cloud Infrastructure and Cloud Management - 2022 5.3 Presented in camera Details available upon request	2023/12/31	Completed	Completed Presented in camera. Details available upon request
IT Cloud Infrastructure and Cloud Management - 2022 5.4 Presented in camera Details available upon request	2023/12/31	Completed	Completed Presented in camera. Details available upon request
IT Cloud Infrastructure and Cloud Management - 2022 5.5 Presented in camera Details available upon request	2023/12/31	Completed	Completed Presented in camera. Details available upon request

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q1 2023
IT Cloud Infrastructure and Cloud Management - 2022 7.1 Presented in camera Details available upon request	Completed during the Audit	Completed	Completed Presented in camera. Details available upon request
IT Cloud Infrastructure and Cloud Management - 2022 7.2 Presented in camera Details available upon request	2022/12/31	Completed	Completed Presented in camera. Details available upon request
IT Cloud Infrastructure and Cloud Management - 2022 8.1 Presented in camera Details available upon request	Completed during the Audit	Completed	Completed Presented in camera. Details available upon request
IT Cloud Infrastructure and Cloud Management - 2022 8.2 Presented in camera Details available upon request	2022/12/31	2023/08/30	Outstanding Presented in camera. Details available upon request
IT Cloud Infrastructure and Cloud Management - 2022 8.3 Presented in camera Details available upon request	2022/12/31	2023/08/30	Outstanding Presented in camera. Details available upon request

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status as of Q1 2023
IT Cloud Infrastructure and Cloud Management - 2022 8.4 Presented in camera Details available upon request	Completed during the Audit	Completed	Completed Presented in camera. Details available upon request
IT Cloud Infrastructure and Cloud Management - 2022 9.1 Presented in camera Details available upon request	2022/12/31	Completed	Completed Presented in camera. Details available upon request
IT Cloud Infrastructure and Cloud Management - 2022 9.2 Presented in camera Details available upon request	2022/12/31	Completed	Completed Presented in camera. Details available upon request
IT Cloud Infrastructure and Cloud Management - 2022 10.1 Presented in camera Details available upon request	2022/12/31	-	Outstanding Presented in camera. Details available upon request
IT Cloud Infrastructure and Cloud Management - 2022 11.1 Presented in camera Details available upon request	2022/12/31	2023/12/31	Outstanding Presented in camera. Details available upon request

Date: 2023-05-31

Subject: Corporate Ethics Hotline Quarterly Report

Contact: Claire Mu, Director, Internal Audit, 905-874-2215,
fang.mu@brampton.ca

Report Number: CAO's Office-2023-499

Recommendations:

That the report titled: **Corporate Ethics Hotline Quarterly Report** to the Audit Committee meeting of June 12, 2023, be received.

Overview:

- The Fraud Hotline was renamed the "Ethics Hotline" in 2023 to accurately reflect the mix of allegations coming through the Hotline.
- Three new cases were reported between January 1, 2023, and May 31, 2023
- Two cases are closed, and one is pending.

Background:

As part of the City of Brampton's ("the City") commitment to protecting its assets, a Fraud Framework to prevent, detect, and report fraud incidents and investigate any suspected acts of fraud was established. On July 4, 2016, the City launched the Corporate Fraud Prevention Hotline ("Fraud Hotline"), which allows City employees to report alleged incidents of fraud.

The Fraud Hotline was renamed the "Ethics Hotline" in 2023 to better reflect the mix of allegations coming through the Hotline: violations of ethics and the Code of Conduct, waste, and fraud.

The City provided resources, at about \$16,000 a year, to contract out the intake services to a third party. The Ethics Hotline intake service enables employees to report incidents of suspected violations of ethics and the Code of Conduct, waste, and fraud anonymously and confidentially, 24 hours a day, seven days a week. Employees can submit a report through a secure third-party website or the telephone through a third-party dedicated toll-free number. Internal Audit staff reports on Ethics Hotline activities quarterly to the Audit Committee.

Current Situation:

The Internal Audit Ethics Hotline status report to the Audit Committee includes statistics on the number and types of reports received. The nature of these reports is sensitive. Therefore, we have omitted information that could identify individuals from this report to protect the named individuals' privacy and maintain the reporters' anonymity.

The Ethics Hotline received three new reports between January 1 and May 31, 2023.

Case No	Status	Substantiated?	Details
8311576	Closed	No	An allegation of a conflict of interest involving an employee conducting personal business on City time and using City information to benefit their business. Delegated to management to investigate.
4137936	Closed	No	An allegation of unethical conduct involving a City staff bypassing protocol for major contract changes on several capital construction projects resulting in overpayments to third parties. Delegated to management to investigate. Internal Audit closed this case to a future audit of capital construction projects focusing on the change order approval process.
1168877	Open	TBD	Two allegations of unethical conduct and conflict of interest involving two City of Brampton employees who may be working for other employers during the City's work hours. We are waiting for the division to report back on the result of their investigations.

Corporate Implications:Financial Implications:

There is no financial implication associated with this report.

Other Implications:

There is no other implication associated with this report.

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 promotes Corporate accountability, our Corporate values, and governance best practices.

Conclusion:

The Ethics Hotline enhances and strengthens the City's governance structure. It reinforces the Council's expectations regarding rules of behaviour and emphasizes the values of the City. Internal Audit will update the Audit Committee on complaints received through the Ethics Hotline or referred to Internal Audit and any related ongoing and completed investigations.

Authored by:

Reviewed by:

Richard Gervais
Senior Advisor, Internal Audit

Claire Mu
Director, Internal Audit

Attachments:

n/a

Date: 2023-05-29

Subject: **2022 Audited Consolidated Financial Statements for the City of Brampton**

Contact: **Nash Damer, Treasurer, Finance**

Report Number: Corporate Support Services-2023-485

Recommendations:

1. That, the report titled **2022 Audited Consolidated Financial Statements for the City of Brampton**, to the Audit Committee Meeting of June 12, 2023, be received; and
2. That, the **2022 Audited Consolidated Financial Statements for the City of Brampton**, be approved

Overview:

- The **2022 Audited Consolidated Financial Statements** from the City Auditor KPMG_{LLP} Chartered Accountants are being presented to the Audit Committee for approval.
- The consolidated financial statements have been prepared in accordance with the Public Sector Accounting Board (PSAB) reporting standards and fully comply with Generally Accepted Accounting Principles (GAAP).
- These consolidated financial statements reflect the financial position as at December 31, 2022 and the operating results for the year for the City, its Local Boards and Committees of Council including The Brampton Public Library Board and the Downtown Brampton Business Improvement Area.

- **The financial reporting standards do not change the City's budgeting process, how the tax levy is calculated or how funding decisions are made by Council.**
- **A reconciliation of the operating results for tax levy purposes and PSAB adjusted consolidated financial statements is provided in Schedule A of this report.**
- **As part of the annual audit, the City Auditor, KPMG_{LLP} Chartered Accountants, conducted a review of Internal Controls and provides an Audit Findings Report to the Audit Committee.**
- **KPMG_{LLP} did not identify any process improvement areas or control deficiencies.**
- **KPMG_{LLP} did not identify any corrected or uncorrected misstatements.**
- **During the year, management initiated process improvement initiative to review obligatory reserve fund transfers to projects resulting in a restatement of obligatory reserve fund balances.**

Background:

The audit of the 2022 Consolidated Financial Statements by the City Auditor, KPMG_{LLP} Chartered Accountants is complete and the statements are attached to this report (Appendix A – The Corporation of the City of Brampton; Appendix B – Trust Funds). The work KPMG_{LLP} performed is conducted in accordance with Canadian Generally Accepted Auditing Standards (GAAP) and relevant ethical requirements, including those pertaining to independence. The work is also planned and performed to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error.

The 2022 Audited Consolidated Financial Statements for the City of Brampton reflect the financial position as at December 31, 2022 and the results of operations for the year for the City and its Local Boards and Committees of Council. The following Local Boards and Committees of Council which are included in these consolidated financial statements are accountable for the administration of their financial affairs and resources to the City and are owned or controlled by the City:

- The Brampton Public Library Board
- Downtown Brampton Business Improvement Area (DBBIA)

The consolidated financial statements for the 2022 fiscal year have been prepared in compliance with the requirements of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as required by the Province of Ontario. The consolidated financial statements are presented to the Audit Committee for review and approval, which are part of the key statutory functions of the Audit Committee.

Current Situation:

Audit Results

KPMG_{LLP} audited the consolidated financial statements of the City for the fiscal year 2022. These consolidated financial statements are the responsibility of the City's management. The audit resulted in KPMG_{LLP} issuing an unqualified audit opinion, which means that the consolidated financial statements present fairly the financial position and comply with PSAB municipal financial reporting requirements.

Report Summary

The consolidated financial statements presented in this report comprise the following statements:

- Consolidated Statement of Financial Position
- Consolidated Statement of Operations and Accumulated Surplus
- Consolidated Statement of Cash Flows, and
- Consolidated Statement of Change in Net Financial Assets

The consolidated financial statements provide information on the City's financial position including the value of assets and liabilities, cost of delivering the City's municipal services and investment in capital projects, financing sources and investing activities.

The City of Brampton's consolidated financial statements are prepared in accordance with Canadian public sector accounting standards established by the PSAB of the Chartered Professional Accountants of Canada.

There have been no new standards issued by PSAB for fiscal year ending December 31, 2022.

PSAB requires full accrual basis of accounting and financial reporting. This provides for inclusion of certain items such as amortization of tangible capital assets and tangible capital assets contributed to the City through the subdivision assumption process.

The City uses a full accrual basis (PSAB) budgeting methodology. This methodology does not change how the tax levy is calculated, or how funding decisions are made by City Council. The 2022 Audited Consolidated Financial Statements reflects full accrual budget figures for comparison purposes.

Appendix C shows the 2022 fiscal year tax-based operating results versus that of the PSAB based financial reporting.

Highlights of 2022 Consolidated Financial Statements:

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position (balance sheet) has two key components that make up accumulated surplus: net financial assets and non-financial assets (tangible capital assets, inventory and prepaid expenses).

- “Net Financial Assets” is the net of assets (cash, investments, receivables and other assets) minus liabilities (accounts payable, capital lease obligation, deferred revenues and employee benefits and other liabilities) generated from the City’s operations, activities of capital projects and Reserves and Reserve Funds. This value serves as a key indicator of the City’s ability to manage its cash resources to meet its financial obligations. The City’s 2022 net financial assets had a balance of \$300 million (2021 - \$302 million), a decrease of \$2 million from 2021.
- “Non-Financial Assets” primarily consists of the City’s investment in tangible capital assets of \$4.1 billion (2021 - \$4 billion). A slight increase in tangible capital assets is attributable to the combination of assets constructed by the City and brought into service and assets contributed to the City through the subdivision assumption process.

The accumulated surplus (retained earnings) as at December 31, 2022 is \$4.4 billion (2021 - \$4.3 billion), an increase of \$77 million.

Key items to note:

- **Decrease in cash, short-term and**
 - Cash and short-term investments decreased from \$414 million in 2021 to \$326 million in 2022. The decrease in balance was mainly due to higher cash-outflow on capital projects compared to year before as well as there were receipt of Safe Restart Provincial funding in 2021.

- **Increase in long-term investment balances**
 - The City increased the allocation to longer-term investments to improve the overall earnings while ensuring a prudent amount of liquidity was maintained to meet the cash flow requirements for operating and capital needs. As a result, long-term investments increased from \$877 million in 2021 to \$972 million in 2022.
- **Increase in Taxes Receivable**
 - Taxes receivable increased from \$59 million in 2021 to \$74 million in 2022. It is likely that high inflation experienced throughout 2022 caused pressure on homeowners' budgets. Also, several interest rate hikes throughout the year would have been burdensome to variable rate mortgage holders.
- **City Hall West Tower Capital Lease Obligation**
 - In 2014, the City entered into a capital lease arrangement for City Hall West Tower. The lease value has been recorded in the City's consolidated financial statements as a tangible capital asset (TCA) with a corresponding capital lease obligation with remaining balance of \$79 million as at December 31, 2022.
- **Deferred Revenue - Obligatory Reserve Funds**
 - Any unspent development charges (DCs), gas tax funds and other obligatory reserves at the end of the fiscal year are recorded as deferred revenue. Deferred revenue increased by \$17 million from \$699 in 2021 (restated) to \$716 in 2022 caused by the timing of capital project spending as well as increase in obligatory reserve receipts.
- **Employee Benefits and Other Liabilities**
 - Employee benefits and other liabilities increased from \$107 million in 2021 to \$122 million in 2022 mainly due to increase in actuarial valuations for vested sick leave, WSIB liability and early retirement liability.
- **Long-term Liabilities**
 - In 2019 and 2021 the City acquired long-term sinking fund debt managed and issued by the Region of Peel. The City has the responsibility for the annual contribution towards sinking funds that would be used to extinguish the debt at maturity. As at December 31, 2022 unsecured debenture net of sinking fund deposits was \$41 million (2021 - \$42 million).

- **Net Book Value of Tangible Capital Assets**

- An increase of \$78 million due to the infrastructure assets assumed from developers through subdivision agreements, property acquisitions, purchase of transit buses, road construction activities as well as facility construction.

The Net Financial Assets position continues to be in a strong, positive position, which signifies that the City is fully able to meet its financial obligations.

Consolidated Statement of Operations and Accumulated Surplus

The Consolidated Statement of Operations and Accumulated Surplus (income statement) presents the sources and uses of City's operating financial resources recognized in the reporting period.

Accumulated Surplus represents the City's equity (equivalent to retained earnings of a private business). 93% of the City's Accumulated Surplus represents the City's investment (net book value) in tangible capital assets required to deliver municipal services. The remainder of the Accumulated Surplus consists of funds committed for capital projects, reserves and reserve funds. Most of Accumulated Surplus is therefore not available to be used to moderate the annual tax levy since it would require selling City assets that are used to deliver municipal services.

The 2022 Annual Surplus was \$33 million lower than in 2021. This was primarily driven by cost increases resulting from resumption as well as increase in programs and services with the highest impact being in Transit, Recreation, Legislative Services and Fire.

Revenues:

Total revenues in 2022 were \$30 million higher than 2021 increasing from \$959 million to \$989 million. Major factors contributing to this increase include:

- \$42 million increase in User Charges primarily in Transit and Recreation divisions. Transit realized an increase in its fare payment revenue of \$23.7 million in comparison to 2021 actuals. This is due to the return of ridership in the second half of the year, with December rides surpassing pre-COVID levels by over 15%. While Recreation revenue remains lower than pre-COVID levels, there has been an increase of \$11.1 million in Program Registration, Lessons Swim/Skate, Ice and Facility rentals as well as Yearly Fitness Passes revenues over 2021 actuals
- \$39 million increase in Development Levies Earned and Other Restricted Capital Contributions due to higher spending on capital project portfolio
- \$10 million increase in Property Taxation

Revenue increases were partially offset by:

- \$24 million decrease in Government Transfers. This was mainly due to lower revenue recognized from Provincial Safe Restart Program and COVID-19 Recovery programs
- Lower number of subdivisions assumed from developers resulted in a \$41 million decrease in the Developer contributed tangible capital assets

Expenses:

Total operating expenses in 2022 were \$63 million higher than 2021, increasing from \$849 million to \$912 million. Included in this is a \$1 million increase in amortization (depreciation) expense representing the value of tangible capital assets that were consumed during the year. The amortization expense increased due to the \$236 million in new tangible capital assets that were added during 2022. Amortization expenses are non-cash in nature, meaning that there was no outlay of cash resources related to the expense.

Following are key items driving the operating expense variance from 2021 to 2022:

- Increase in labour expenses, primarily driven by resumption and increase in programs and services with the highest impact being in Transit, Recreation, Legislative Services and Fire
- Expense increases in the areas of fuel, utilities, demand maintenance and contracted services were seen throughout the City with the biggest impact in Transit and the Brampton Public Library
- \$15 million increase in post-employment benefits and other liabilities

Consolidated Statement of Change in Net Financial Assets

This statement explains the change in the City's Accumulated Surplus during the year. It is intended to provide the reader of the consolidated financial statements with detailed information on non-financial assets including the acquisition of tangible capital assets and the use of the assets through the value of amortization. This statement also provides reporting of other non-financial asset items that impact the change in annual surplus and the change in net financial assets.

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows reports changes in cash and cash equivalents. It provides information on how the City uses its cash for operating, investing and financing activities. As at December 31, 2022 the City's cash and cash equivalents had a balance of \$326 million (2021 - \$414 million).

Audit Findings Report

Each year as part of the annual audit, the City Auditor, KPMG_{LLP} Chartered Accountants, conducts a review of Internal Controls and provides an Audit Findings Report to the Audit Committee with recommendations for improvement and accompanying management responses.

The 2022 Audit Findings Report from KPMG_{LLP} Chartered Accountants is attached to this report (Appendix D).

KPMG_{LLP} did not identify any process improvement areas or control deficiencies.

KPMG_{LLP} did not identify any corrected or uncorrected misstatements.

In 2022, the City conducted process improvement initiative to review its application of accounting methodology to recognize revenue on Development Charges as well as other obligatory reserve funds (e.g. Cash-in-lieu of parkland, Federal and Provincial Gas Taxes). Ultimate result of this exercise was to move away from year-end estimated PSAS adjustment and recognize revenue based on actual expenditures incurred. This method enable management to achieve higher level of accuracy as well as ease of reporting and consistency between internal and external reporting.

As a result, the 2021 period was restated and adjusted to increase deferred revenue—obligatory reserve funds by \$173 million, and decrease opening accumulated surplus as at January 1, 2021 by \$173 million. This is a non-cash adjustment not affecting City's tax based budget and actuals.

Publication

The 2022 Consolidated Financial Statements will be made public and posted on the City's website.

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} audited the consolidated financial statements of the City for the fiscal year 2022. These consolidated financial statements are the responsibility of the City's management. The audit resulted in KPMG_{LLP} issuing an unqualified audit opinion, which means that the consolidated financial statements present fairly the financial position and comply with PSAB municipal financial reporting requirements.

KPMG_{LLP} Chartered Accountants also conducted a review of Internal Controls and provides an Audit Findings Report to the Audit Committee with recommendations for improvement.

Authored by:

Reviewed by:

Maja Kuzmanov, Senior Manager,
Accounting Services/Deputy
Treasurer

Nash Damer, Treasurer, Finance

Approved by:

Submitted by:

Alex Milojevic, Commissioner,
Corporate Support Services

Marlon Kallideen,
Chief Administrative Officer

Attachments:

- Appendix A - 2022 Audited Financial Statements – The Corporation of the City of Brampton
- Appendix B - 2022 Audited Financial Statements – Trust Funds
- Appendix C - 2022 Municipal Surplus Reconciliations, Tax Levy Purpose vs Financial Statements
- Appendix D - Audit Findings Report (for the year ended December 31, 2022)

Consolidated Financial Statements of

**THE CORPORATION OF
THE CITY OF BRAMPTON**

And Independent Auditor's Report thereon

Year ended December 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the City of Brampton

Opinion

We have audited the consolidated financial statements of The Corporation of the City of Brampton (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022, and its consolidated results of operations, its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Consolidated Statement of Financial Position (Expressed in thousands of dollars)

December 31, 2022, with comparative information for 2021

	2022	2021
		(Restated - note 3)
Financial Assets		
Cash and short-term investments (note 4)	\$ 326,384	\$ 414,431
Taxes receivable	74,243	58,538
User charges receivable	3,814	3,175
Accounts receivable	49,657	47,542
Long-term investments (note 4)	971,530	876,553
Other assets (note 5)	8,255	8,242
	1,433,883	1,408,481
Financial Liabilities		
Accounts payable and accrued liabilities	145,553	141,295
Capital lease obligation (note 6)	78,702	80,991
Deferred revenue - general (note 8(a))	30,553	35,273
Deferred revenue - obligatory reserve funds (note 8(b))	715,746	698,669
Employee benefits and other liabilities (note 9)	122,285	107,498
Long-term liabilities (note 7)	40,943	42,288
	1,133,782	1,106,014
Net financial assets	300,101	302,467
Non-Financial Assets		
Tangible capital assets (note 15)	4,109,507	4,031,167
Inventory and prepaids	12,726	11,673
	4,122,233	4,042,840
Guarantee (note 5)		
Commitments and contingencies (note 16)		
Contractual rights (note 19)		
Subsequent event (note 21)		
Accumulated surplus (note 11)	\$ 4,422,334	\$ 4,345,307

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Consolidated Statement of Operations and Accumulated Surplus
(Expressed in thousands of dollars)

Year ended December 31, 2022, with comparative information for 2021

	Budget 2022 (notes 1(q) and 17)	2022	2021 (Restated - note 3)
Revenue:			
Property taxation	\$ 507,336	\$ 503,328	\$ 493,126
Taxation from other governments	3,910	4,035	3,967
User charges	188,343	173,493	131,095
Government transfers (note 20)	1,598	13,848	37,570
Development levies earned and other restricted capital contributions (note 8)	91,300	149,353	110,800
Investment income	18,984	4,301	3,614
Interest earned on reserves	14,897	12,439	11,881
Penalties, fines and interest	33,307	33,453	32,682
Developer contributed tangible capital assets (note 15(b))	87,100	84,988	126,182
Other	4,897	9,341	8,308
	951,672	988,579	959,225
Expenses (note 12):			
General government	215,287	97,321	93,910
Protection to persons and property	142,899	145,030	137,514
Transportation services	302,632	400,324	390,710
Environmental services	13,156	32,680	27,769
Health services (cemeteries)	667	655	685
Social and family services	3,496	3,345	2,534
Recreation and cultural services	172,302	195,984	164,098
Planning and development services	32,567	36,213	31,850
	883,006	911,552	849,070
Annual surplus	<u>\$ 68,666</u>	77,027	110,155
Accumulated surplus, beginning of year		4,345,307	4,235,152
Accumulated surplus, end of year		<u>\$ 4,422,334</u>	<u>\$ 4,345,307</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Consolidated Statement of Change in Net Financial Assets (Expressed in thousands of dollars)

Year ended December 31, 2022, with comparative information for 2021

	Budget 2022 (notes 1(q) and 17)	2022	2021 (Restated - note 3)
Annual surplus	\$ 53,769	\$ 77,027	\$ 110,155
Acquisition of tangible capital assets	–	(150,613)	(91,162)
Developer contributed tangible capital assets	(87,100)	(84,988)	(126,182)
Amortization of tangible capital assets	148,100	157,246	155,987
Loss on disposal of tangible capital assets	–	15	1,286
Acquisition of inventory and prepaids	–	(17,756)	(14,775)
Use of inventory and prepaids	–	16,703	21,943
Change in net financial assets	114,769	(2,366)	57,252
Net financial assets, beginning of year	302,467	302,467	245,215
Net financial assets, end of year	\$ 417,236	\$ 300,101	\$ 302,467

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Consolidated Statement of Cash Flows (Expressed in thousands of dollars)

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
		(Restated - Note 3)
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 77,027	\$ 110,155
Items not involving cash:		
Amortization of tangible capital assets	157,246	155,987
Loss on disposal of tangible capital assets	15	1,286
Developer contributed tangible capital assets	(84,988)	(126,182)
Change in non-cash assets and liabilities:		
Taxes receivable	(15,705)	18,961
User charges receivable	(639)	(1,869)
Accounts receivable and other assets	(2,128)	3,170
Accounts payable and accrued liabilities	4,258	2,906
Deferred revenue - general	(4,720)	22,991
Deferred revenue - obligatory reserve funds	17,077	88,081
Employee benefits and other liabilities	14,787	4,872
Inventory and prepaids	(1,053)	7,168
	161,177	287,526
Capital activities:		
Acquisition of tangible capital assets	(150,613)	(91,162)
Financing activities:		
Repayment of capital lease obligation	(2,289)	(2,122)
Receipt of funds through sinking fund debentures	—	18,471
Sinking fund deposits made	(1,345)	(737)
	(3,634)	15,612
Investing activities:		
Net increase in long-term investments	(94,977)	(108,945)
Increase (decrease) in cash and short-term investments	(88,047)	103,031
Cash and short-term investments, beginning of year	414,431	311,400
Cash and short-term investments, end of year	\$ 326,384	\$ 414,431

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended December 31, 2022

The Corporation of the City of Brampton (the "City") is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, 2001, Municipal Affairs Act, Development Charges Act and related legislation.

1. Significant accounting policies:

The consolidated financial statements of the City are prepared by management in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada ("CPA Canada"). Significant aspects of the accounting policies adopted by the City are as follows:

(a) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenue, expenses and accumulated surplus of the reporting entity. The reporting entity is comprising of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. These consolidated financial statements include:

- Brampton Public Library Board (the "Library"); and
- Downtown Brampton Business Improvement Area.

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(b) Non-consolidated entities:

The following regional municipality and local boards are not consolidated and should be contacted directly if examination of their annual audited financial statements is desired:

- The Regional Municipality of Peel ("Region of Peel");
- The Peel District School Board;
- The Dufferin-Peel Catholic District School Board;
- Conseil Scolaire de District du Centre-Sud Ouest; and
- Conseil Scolaire de District Catholique Centre-Sud.

Trust funds and their related operations administered by the City are not included in these consolidated financial statements but are reported separately on the trust funds' financial statements.

(c) Accounting for region and school board transactions:

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of The Region of Peel and the school boards are not reflected in the consolidated financial statements.

(d) Basis of accounting:

The City follows the accrual method of accounting. Under the accrual method of accounting, revenue are recognized in the period in which the transactions or events that gave rise to the revenue occurred.

Expenses are the cost of goods or services acquired in the period whether or not payment has been made or invoices received.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(e) Cash and short-term investments:

Cash and short-term investments include short-term highly liquid investments with terms to maturity of 90 days or less. Cash and short-term investments are recorded at cost with write down to market when there is a decrease in value.

(f) Long-term investments:

Long-term investments consist of bonds and debentures and are recorded at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. When there has been a loss of value that is other than a temporary decline in value, the respective investment is written down to market value to recognize the loss in the consolidated statement of operations and accumulated surplus.

(g) Other assets:

Other assets are valued at cost and include long-term receivables. Recoverability is assessed annually, and a valuation allowance is recorded when recoverability has been impaired. Other assets including long-term receivables are written off when they are no longer recoverable. Recoveries of other assets including long-term receivables that have been previously written off are recognized in the year received. Other assets including long-term receivables with significant concessionary terms are reported as an expense on the consolidated statement of operations and accumulated surplus.

(h) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced that exceeds an environmental standard. A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the organization is directly responsible or accepts responsibility for the liability;

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(iv) future economic benefits will be given up; and

(v) a reasonable estimate of the liability can be made.

The liability is estimated based upon information that is available when the consolidated financial statements are prepared. It is based upon the costs directly attributable to the remediation activities required using a present value measurement technique.

(i) Non-financial assets:

Non-financial assets include tangible capital assets and inventory and prepaids. They are not available to discharge existing liabilities and are held for use in the provision of services.

Inventory and prepaid expenses held for consumption are recorded at the lower of cost and replacement cost.

(j) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, are amortized on a straight-line basis over their estimated useful lives as follows:

Land	Unlimited
Buildings and building improvements	10 - 40
Furniture, computer and office equipment	2 - 20
Infrastructure	10 - 40
Land improvements	10 - 30
Vehicles and machinery	7 - 15
Assets under capital lease	Lesser of useful life and lease term

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(i) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(ii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements. The City owns both works of art and historical treasures at various City-owned facilities. These assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community.

(iii) Interest capitalization:

The City does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(iv) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(v) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(k) Government transfers:

Government transfers are recognized in the consolidated financial statements as revenue in the year in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(l) Deferred revenue - general:

Deferred revenue represents user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(m) Deferred revenue - obligatory reserve funds:

The City receives gas taxes and transfer payments from other levels of government and development charges under the authority of Provincial Legislation and City By-Laws. These funds by their nature are restricted in their use and until applied to applicable capital works are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal year they are expended.

(n) Taxation and user charges revenue:

Tax receivable and tax revenue are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred. User charges are recognized when measurable and earned.

(o) Investment income:

Investment income earned on available surplus funds is reported as revenue in the year earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of respective deferred revenue balances.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(p) Pensions and employee benefits:

- (i) The City provides certain employee benefits which will require funding in future periods. These benefits include sick leave, benefits under the Workplace Safety and Insurance Board Act ("WSIB") and life insurance, extended health and dental benefits for early retirees. The costs of sick leave, benefits under WSIB and life insurance, extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends, long-term inflation rates and discounted rates. For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as compensated absences and health, dental and life insurance benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group. For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period when the events occur. Any actuarial gains or losses that are related to these benefits are recognized immediately in the year they arise.
- (ii) The costs of a multi-employer defined benefit pension plan, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions which is accounted for as a defined contribution plan, are the employer's defined contributions to the plan in the year.

Unamortized actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups. Unamortized actuarial gains/losses for event-triggered liabilities, such as those determined as claims related to WSIB are amortized over the average expected year during which the benefits will be paid.

Costs related to prior period employee services arising out of plan amendments are recognized in the year in which the plan is amended.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(q) Budget figures:

The City budgets for the following items on the consolidated statement of operations and accumulated surplus: interest earned on reserves, developer contributed tangible capital assets and amortization expense.

The City Council completes separate budget reviews for its operating and capital project budgets each year. Both budgets are reflected in the consolidated statement of operations and accumulated surplus.

The operating budget is based on projected operating expenses to be incurred during the current year. Budgets established for capital projects are set on a project-oriented basis, the costs of which may be carried out over one or more fiscal years.

(r) Use of estimates:

The preparation of these consolidated financial statements requires management to make estimates and assumptions. This affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Significant estimates and assumptions include allowance for doubtful accounts for certain accounts receivable, carrying value of tangible capital assets, provisions accrued liabilities and obligations related to employee future benefits. The full extent of the impact that COVID-19 pandemic, including government and regulatory responses to the pandemic, will have on the Canadian economy and the City's operations remains uncertain at this time. Actual results could differ from these estimates.

(s) Related parties disclosure:

A related party exists when one party has the ability to exercise control or shared control over the other. Related parties include key management personnel, their close family members and the entities they control or have shared control over. Related party transactions are disclosed if they occurred at a value different from that which would have been arrived at if parties were unrelated and the transaction has material effect on the consolidated financial statements. As at December 31, 2022, there are no such related party transactions to disclose.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(t) Contingent assets:

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty which will be ultimately resolved when one of more future events occur that are not within the government's control. Disclosure of a contingent asset is required under this standard when the occurrence of a confirming future event is likely. As at December 31, 2022, there are no such contingent assets to disclose.

(u) Contractual rights:

Contractual rights require the disclosure of information in regards to future rights to economic resources arising from contracts or agreements that will result in a future economic benefit. Such disclosure includes the nature, extent and timing of contractual rights. The City is involved with various contracts and agreements arising in the ordinary course of business. This results in contractual rights to economic resources. Contractual rights are reported in note 19.

(v) Assets:

The assets standard provides additional guidance on the definition of assets and what is meant by economic resources, control, past transactions and events and from which future economic benefits are to be obtained. For the year ended December 31, 2022, all material assets have been disclosed and reported within this definition.

(w) Newly adopted accounting standards:

There are no newly adopted accounting standards for the year ended December 31, 2022.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

2. Future accounting pronouncements:

These standards and amendments were not effective for the year ended December 31, 2021, and have therefore not been applied in preparing these consolidated financial statements. Management is currently assessing the impact of the following accounting standards updates on the future consolidated financial statements.

- (a) PS 1201, Financial Statement Presentation, was issued in June 2011. This standard requires entities to present a new statement of remeasurement gains and losses separate from the consolidated statement of operations and accumulated surplus. This new statement includes unrealized gains and losses arising from remeasurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This section is effective for fiscal years beginning on or after April 1, 2022 (the City's December 31, 2023 year-end) and applies when PS 3450, Financial Instruments, and PS 2601, Foreign Currency Translation, are adopted.
- (b) PS 3450, Financial Instruments, establishes the standards on accounting for and reporting all types of financial instruments including derivatives. This standard is effective for fiscal periods beginning on or after April 1, 2022 (the City's December 31, 2023 year-end).
- (c) PS 2601, Foreign Currency Translation, establishes the standards on accounting for and reporting transactions that are denominated in a foreign currency. This standard is effective for fiscal periods beginning on or after April 1, 2022 (the City's December 31, 2023 year-end). Earlier adoption is permitted. A public sector entity adopting this standard must also adopt the new financial instruments standard.
- (d) PS 3280, Asset Retirement Obligation, addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. This section is effective for fiscal years beginning on or after April 1, 2022 (the City's December 31, 2023 year-end).
- (e) PS 3400, Revenue, establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. This section is effective for fiscal years beginning on or after April 1, 2023 (the City's December 31, 2024 year-end).
- (f) Public Sector Guideline 8, Purchased Intangibles, allows public sector entities to recognize intangibles purchased through an exchange transaction. This guideline is effective for fiscal years beginning on or after April 1, 2023 (the City's December 31, 2024 year-end).

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

3. Restatement of prior year comparative figures:

The comparative information presented in the consolidated financial statements has been adjusted for prior period adjustments relating to deferred revenue - obligatory reserve funds reported in 2021. The comparative information has been adjusted to reflect an increase in deferred revenue - obligatory reserve funds of \$173,056. The amount previously reported for deferred revenue - obligatory reserve funds was understated. Prior to January 1, 2021, amounts previously reported for development and other contributions applied revenues were overstated by \$173,056. These unspent funds were recognized as revenue in advance of when they were earned.

The impact of these changes has been adjusted and prior periods have been restated as follows:

	As previously reported	Restatement adjustment	As restated
Consolidated statement of financial position:			
Deferred revenue - obligatory reserve funds at December 31, 2021	\$ 525,613	\$ 173,056	\$ 698,669
Total financial liabilities at December 31, 2021	932,958	173,056	1,106,014
Accumulated surplus at December 31, 2021	4,518,363	(173,056)	4,345,307
Consolidated statement of operations:			
Obligatory revenue earned for the year ended December 31, 2021 (including a reclassification of \$13,329 from interest earned on reserves)	\$ 108,623	\$ 2,177	\$ 110,800
Total revenues for the year ended December 31, 2021	957,048	2,177	959,225
Annual surplus for the year ended December 31, 2021	107,978	2,177	110,155
Accumulated surplus at January 1, 2021	4,410,385	(175,233)	4,235,152
Accumulated surplus at December 31, 2021	4,518,363	(173,056)	4,345,307
Consolidated statement of cash flows:			
Annual surplus at December 31, 2021	\$ 107,978	\$ 2,177	\$ 110,155
Deferred revenue - obligatory reserve funds at December 31, 2021	90,258	(2,177)	88,081

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

4. Cash and investments:

Cash and short-term investments of \$326,384 (2021 - \$414,431) includes short-term investments of \$256,817 (2021 - \$200,593) with a market value \$256,817 (2021 - \$200,593) at the end of the year.

Long-term investments of \$971,530 (2021 - \$876,553) have a market value of \$888,167 (2021 - \$896,070) at the end of the year.

As at December 31, 2022, the City's long-term investments measured at amortized cost exceed market value, representing a temporary decline in market value but no decline in the amortized cost value reported. There is no impairment due to the low-risk nature of the investments, the high credit ratings of the issuers, and the City's intention to hold these investments to their maturities.

5. Other assets:

Included in other assets in the consolidated statement of financial position is \$7,984 (2021 - \$7,984) consisting of a long-term loan receivable of \$6,000 advanced by the City towards the construction of the CAA Centre (formerly the "Powerade Centre") with a due date of August 31, 2034 and a further \$1,984 representing advances under the Loan and Priorities Agreement established in 1998 and bearing interest at the rate of 6.08% per annum.

The City is also the guarantor for the Powerade Centre Term Loan ("Term Loan", previously a mortgage) held by the Royal Bank of Canada. In 2017, the Term Loan, which has an amortization period ending in August 2034, was renegotiated with a 5-year term ending on March 21, 2022. The Term Loan has an outstanding balance of \$6,432 on December 31, 2022 (2021 - \$6,846).

6. Capital lease obligation:

In 2014, the City entered into a capital lease arrangement (the "agreement") for a City Hall West Tower.

The agreement requires equal monthly lease payments over a period of 25 years until 2039. At the expiry of the agreement, the legal title of the building will be transferred to the City.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

6. Capital lease obligation (continued):

Annual lease payments under the agreement are as follows:

2023	\$ 8,354
2024	8,354
2025	8,354
2026	8,354
2027	8,354
2028 and thereafter	96,759
Total minimum lease payments	138,529
Less amount representing implicit interest at 7.59%	59,827
Capital lease obligation	\$ 78,702

Included in interest expense reported in the consolidated statement of operations and accumulated surplus is \$6,065 (2021 - \$6,231) for interest expense related to the capital lease obligation.

7. Long-term liabilities:

The City has long-term debt managed and issued by the Region of Peel. The City has the responsibility for the annual contribution towards sinking funds that would be used to extinguish the debt at maturity. The total long-term liabilities reported on the consolidated statement of financial position include the following:

	2022	2021
Unsecured debenture issued in 2019 by the Regional Municipality of Peel on behalf of the City, bearing interest at 3.85%, maturing on 2042	\$ 24,554	\$ 24,554
Unsecured debenture issued in 2021 by the Regional Municipality of Peel on behalf of the City, bearing interest at 2.5%, maturing on 2042	18,471	18,471
Less sinking fund deposits bearing interest at 2.5%	2,082	737
	\$ 40,943	\$ 42,288

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

7. Long-term liabilities (continued):

Actuarially determined funding contribution requirements for the next six years are as follows:

2023	\$ 1,338
2024	1,358
2025	1,378
2026	1,399
2027	1,420
2028 and thereafter	29,208
Interest to be earned on sinking fund debt	4,842
Unsecured debenture, net of sinking fund deposits	\$ 40,943

Interest expense in the amount of \$1,386 (2021 - \$886) has been recognized on the consolidated statement of operations and accumulated surplus. The annual sinking fund deposits and interest payments required to service the long-term liabilities of the municipality are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

8. Deferred revenue:

(a) Deferred revenue - general:

Deferred revenue - general is comprised of user charges for parks and recreation programs, transit advertising revenue applicable for the following year and unspent provincial funding for capital projects. As at December 31, 2022, the deferred revenue - general amounted to \$30,553 (2021 - 35,273).

(b) Deferred revenue - obligatory reserve funds:

Obligatory reserve funds are to be reported as deferred revenue. This requirement is in place as Federal and Provincial legislation and other City by-laws and agreements may restrict how these funds may be used and under certain circumstances these funds may possibly be refunded.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

8. Deferred revenue (continued):

As at December 31, 2022, obligatory reserve funds amounted to \$715,746 (2021 - \$698,669). This balance includes unspent development charges, unspent gas tax receipts as well as unspent funding for specific infrastructure projects received from federal and provincial governments.

Details of these deferred revenue are as follows:

	Opening (Restated - note 3)	Amount received including interest	Amount recognized as revenue	Closing
Developer	\$ 350,302	\$ 81,716	\$ 48,386	\$ 383,632
Federal gas tax	112,773	37,506	48,013	102,266
Provincial gas tax	5,444	16,284	15,728	6,000
Other	230,150	30,924	37,226	223,848
Total	\$ 698,669	\$ 166,430	\$ 149,353	\$ 715,746

Other deferred revenue includes other obligatory reserves such as developer deposits for subdivision maintenance and future construction.

9. Employee benefits and other liabilities:

The City provides certain employee benefits, which will require funding in future periods. Under the sick-leave benefit plan, unused sick leave can accumulate and employees may become entitled to cash payment when they leave the City's employment. With respect to responsibilities under provisions of the Workplace Safety and Insurance Board ("WSIB"), the City has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these consolidated financial statements.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

9. Employee benefits and other liabilities (continued):

Employee benefits and other liabilities included in the consolidated financial statements are summarized below:

	2022	2021
WSIB	\$ 28,879	\$ 22,904
Vested sick leave benefits	30,398	27,833
Vacation pay	14,892	11,154
Non-pension post-employment benefits	39,176	36,279
Self-insurance liability	8,665	9,199
Other	275	129
Total	\$ 122,285	\$ 107,498

As at December 31, 2022, the City has allocated reserves and reserve funds of \$4,333 (2021 - \$17,172) to fund some of these obligations. Any additional requirements to fund these obligations will be covered by General Rate Stabilization Reserve.

The most recent full actuarial valuation for WSIB, vested sick leave benefits and non-pension post-employment benefits was performed as at December 31, 2019.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

9. Employee benefits and other liabilities (continued):

The following table sets out the actuarial results for each of the plans as at December 31:

	2022			2021	
Item	WSIB	Vested sick leave benefits	Non-pension post-employment benefits	Total	Total
Accrued benefit obligation ("ABO"), beginning of year	\$ 30,684	\$ 34,887	\$ 47,960	\$ 113,531	\$ 108,319
Add:					
Actuarial loss					—
Current benefit cost	3,887	3,398	2,531	9,816	9,385
Increase due to survivor awards	2,865	—	—	2,865	—
Interest cost	1,090	1,311	1,803	4,204	4,012
	38,526	39,596	52,294	130,416	121,716
Less current benefit payments	2,967	3,245	2,266	8,478	8,184
ABO, end of year	35,559	36,351	50,028	121,938	113,532
Unamortized actuarial loss	(6,680)	(5,953)	(10,852)	(23,485)	(26,516)
Liability for benefits, end of year	\$ 28,879	\$ 30,398	\$ 39,176	\$ 98,453	\$ 87,016

The amortization of actuarial gains and losses for the current year is in the amount of \$3,031 (2021 - \$3,031).

The actuarial valuations of the plans were based upon a number of assumptions about future events, which reflect management's best significant assumptions and estimates. The following represents the more significant assumptions made:

	WSIB	Vested sick leave benefits	Non-pension post-employment benefits
Expected inflation rate	1.75%	1.75%	1.75%
Expected level of salary increases	n/a	2.75%	2.75%
Interest discount rate	3.50%	3.75%	3.75%
Dental premium rates increase	n/a	n/a	3.75%
Health care premium rates increase	6.75%	n/a	6.75%
Expected average remaining service life	1 years	14 years	15 years

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

10. Pension agreements:

The City makes contributions to OMERS, which is a multi-employer plan, on behalf of all permanent, full-time members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees, based on the length of service and rates of pay. The City accounts for its participation in OMERS, as a defined contribution plan.

The amount contributed to OMERS for 2022 was \$32,130 (2021 - \$31,619) for current service and is included as an expense on the consolidated statement of operations and accumulated surplus. Employee contributions totaled \$32,130 (2021 - \$31,619).

The City is current with all payments to OMERS, therefore, there is neither a surplus nor deficit with the pension plan contributions. However, the OMERS pension plan had a deficit at December 31, 2022 of \$6.7 billion based on actuarial valuation of plan assets.

11. Accumulated surplus:

Accumulated surplus consists of individual fund surplus, including funds committed for capital projects, and reserves and reserve funds as follows:

	2022	2021
Tangible capital assets	\$ 4,109,507	\$ 4,031,167
Deficit funds from committed capital projects and other	(252,583)	(238,888)
	3,856,924	3,792,279
Reserves	103,210	110,180
Reserve funds	462,200	442,848
Total	\$ 4,422,334	\$ 4,345,307

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

12. Expenses by object:

The following is a summary of the expenses reported on the consolidated statement of operations and accumulated surplus by object:

	Budget 2022	2022	2021
Salaries, wages and fringe benefits	\$ 495,892	\$ 486,039	\$ 437,509
Materials and supplies	94,073	106,075	82,625
Contracted services	121,640	139,155	148,958
Rents and financial expenses	21,493	21,164	20,993
Government transfers	1,803	1,858	1,713
Amortization of tangible capital assets (note 15)	148,105	157,246	155,987
Other	–	15	1,285
Total expenses	\$ 883,006	\$ 911,552	\$ 849,070

13. Trust funds:

Trust funds administered by the City amounted to \$35,678 (2021 - \$32,840) are presented in the separate financial statements of trust funds balances and operations. As such balances are held in trust by the City for the benefit of others, they are not presented as part of the City's consolidated financial position or operations.

- The City administers the following trust funds:
- Cemeteries Care and Maintenance Trust;
- Developers' Performance Deposits Trust;
- Developer Front End Financing Trust;
- Brampton Marketing Board, Greater Toronto Area and Greater Toronto Marketing Alliance;
and
- Brampton Sports Hall of Fame.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

14. Public liability insurance:

The City is self-insured for all lines of coverage including public liability, errors and omissions and Brampton Transit claims up to \$1,000. This is for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these limits.

Claims settled during the year amounting to \$3,651 (2021 - \$3,775) have been provided for from the General Rate Stabilization Reserve, and are accordingly reported as expenses on the consolidated statement of operations and accumulated surplus.

In the normal course of its operations, the City is subject to various litigation and claims. Where management has assessed the likelihood of the success of the claim as more likely than not and where a reasonable estimate as to the exposure can be made, an accrual has been recorded in these consolidated financial statements. In some instances, the ultimate outcome of these claims cannot be determined at this time. However, the City's management believes that the ultimate disposition of these matters will not have a material adverse effect on its consolidated financial position.

15. Tangible capital assets:

The City has identified following major asset categories: land; asset under capital lease; buildings and building improvements; furniture, computer and office equipment; infrastructure; land improvements and vehicles and machinery.

	2021	Additions	Disposals	Transfers	2022
Cost					
Land	\$ 1,723,639	\$ 29,418	\$ –	\$ –	\$ 1,753,057
Asset under capital lease	93,500	–	–	–	93,500
Buildings and building improvements	872,796	58,948	–	–	931,744
Furniture, computer and office equipment	92,584	5,056	(12,298)	–	85,342
Infrastructure	2,517,051	89,706	(167)	–	2,606,590
Land improvements	124,219	5,871	(1,343)	–	128,747
Vehicles and machinery	451,027	22,289	(11,703)	–	461,613
Assets under construction	92,913	151,711	–	(127,398)	117,226
Total	\$ 5,967,729	\$ 362,999	\$ (25,511)	\$ (127,398)	\$ 6,177,819

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)

(Expressed in thousands of dollars)

Year ended December 31, 2022

15. Tangible capital assets (continued):

	2021	Disposals	Amortization expense	2022
Accumulated amortization				
Land	\$ —	\$ —	\$ —	\$ —
Asset under capital lease	27,738	—	3,740	31,478
Buildings and building improvements	413,925	—	35,253	449,178
Furniture, computer and office equipment	52,400	(12,293)	10,963	51,070
Infrastructure	1,102,602	(167)	72,118	1,174,553
Land improvements	60,634	(1,343)	5,954	65,245
Vehicles and machinery	279,263	(11,693)	29,218	296,788
Total	\$ 1,936,562	\$ (25,496)	\$ 157,246	\$ 2,068,312

	2021	2022
Net book value		
Land	\$ 1,723,639	\$ 1,753,057
Asset under capital lease	65,762	62,022
Buildings and building improvements	458,871	482,566
Furniture, computer and office equipment	40,184	34,272
Infrastructure	1,414,449	1,432,037
Land improvements	63,585	63,502
Vehicles and machinery	171,764	164,825
Assets under construction	92,913	117,226
Total	\$ 4,031,167	\$ 4,109,507

(a) Assets under construction:

Assets under construction having a value of \$117,226 (2021 - \$92,913) have not been amortized. Amortization of these assets will commence when the assets are put into service.

(b) Contributed tangible capital assets:

Contributed capital assets have been recognized at fair market value at the date of contribution. Contributed capital assets are comprised of infrastructure assets acquired through subdivision assumptions. The value of contributed assets received during the year is \$84,988 (2021 - \$126,182).

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

16. Commitments and contingencies:

(a) Commitment for operating leases:

The City leases facilities and equipment under operating leases expiring beyond 2026. The minimum amounts payable under these arrangements are as follows:

2023	\$ 5,984
2024	4,031
2025	3,265
2026	2,626
2027 and thereafter	11,202
	<hr/>
	\$ 27,108

Excluded from these amounts is the capital lease obligation reported in note 6.

(b) Contingent legal liabilities:

As at December 31, 2022, there were various legal claims pending against the City arising in the ordinary course of its operations. The City has recorded a liability for certain uninsured claims, but has made no specific provision for those where the outcome is presently indeterminable. See notes 9 and 14.

17. Budget data:

Budget data presented in these consolidated financial statements are based upon the 2022 operating and capital budgets as approved by Council and adopted by the City at the December 8, 2021 meeting. Adjustments to budgeted values were required to provide comparative budget values based on the components of full accrual basis of accounting. The chart below reconciles the approved operating budget with the budget figures presented in these consolidated financial statements.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

17. Budget data (continued):

Revenue

Approved operating budget	\$ 784,983
Less:	
Contributions from reserve fund	40,816
Other	689
	<u>41,505</u>
Add:	
Development levies earned and other restricted capital contributions	91,300
Interest earned on reserve	14,897
Developer contributed assets	87,100
	<u>193,297</u>
Total reported on consolidated financial statements	\$ 936,775

Expenses

Approved operating budget	\$ 784,983
Less contributions to reserve funds	122,083
Add:	
Other	6,506
Operating projects budget	65,500
Amortization	148,100
	<u>220,106</u>
Total reported on consolidated financial statements	\$ 883,006

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

18. Segmented information:

The City is a multifaceted municipal government that delivers a wide range of services that enhance quality of life to its citizens. For additional information see the consolidated schedule of segment disclosure.

Certain allocation methodologies are employed in the preparation of segmented financial information. Services are funded primarily by taxation and user fees. Taxation revenue is allocated to the general government segment. Certain government grants, user charges and other revenue have been allocated based upon the same allocation as the related expenses. User fees are allocated based upon the segment that generated the fee.

City services are provided by various divisions whose activities are organized in the following segments for management reporting purposes:

(a) General government:

General government is comprised of Mayor and Councilor's as well as Corporate Management and Support sections.

The departments within Corporate Management and Support sections are responsible for adopting bylaws and administrative policies; risk management; providing effective financial reporting, planning and controls; developing and maintaining flexible computer networks and resources to deliver information and telecommunications to City employees and the citizens of Brampton; acquiring, managing and disposing City assets; levying and collecting taxes.

(b) Protection to persons and property:

Protection services delivers Fire Emergency Services, By-law and Enforcement and POA administration. The mandate of the Fire department is to provide fire protection and emergency response but also superior level of Fire Prevention and Public Education. By-law and Enforcement assist in maintaining Brampton as a safe, healthy and attractive City by responding to public concerns, patrolling City property and enforcing the City's by-laws.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

18. Segmented information (continued):

POA's mandate encompass the administration and prosecution of provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, Municipal By-laws and minor federal offences.

(c) Transportation services:

The Works department manages various infrastructure projects as part of a 10-year capital program to expand and improve the City's road network and transportation infrastructure. In addition, major functions also include maintenance of road system (road resurfacing and snow clearing) and all associated infrastructure such as sidewalks, bridges and curbs.

Brampton Transit is responsible for providing efficient and effective local public transportation service.

(d) Environmental services:

Environmental services are delivered by staff in the Works department. Primary responsibility of this section is catch basin and storm sewer maintenance. In addition, the department performs watercourse maintenance in order to ensure public safety and environmental controls are in place. Watercourse maintenance activities include controlling erosion, the removal of garbage and debris and responding to spills and illegal dumping to ensure water quality and proper cleanup.

(e) Health, social and family services:

Health, social and family services comprised cemetery operations and assistance to aged persons. Assistance to aged persons includes senior's education tax rebate, senior snow clearing subsidy as well as maintenance of seniors centre.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

18. Segmented information (continued):

(f) Recreation and cultural services:

The community services department is responsible for the delivery of Parks, Recreation and Cultural services. The Parks Operations division maintains all parks, boulevards, sports fields, trees, horticultural displays, pathways and open space. This division provides the residents of Brampton with safe, attractive, outdoor facilities delivered through a highly skilled and versatile workforce.

The Recreation and Culture division is responsible for the delivery of all culture and recreation programs offered by the City and the day-to-day operation of all theatres and recreation buildings. This division provides the City's front-line contact with the citizens of Brampton in Culture, Recreation Facilities and Programs providing many activities that enhance the richness and quality of life for residents.

This section also contributes towards the information needs of the City's citizens through the provision of library services by the Library.

(g) Planning and development services:

The Planning and Development Department responsibilities encompass planning, design and development approvals, management of building permit processes, long-range Brampton official plan and growth management. This department is also responsible for providing advice to City Council, the public, and the development/building industry with respect to a broad range of land use planning, development applications, urban design, public buildings and open space/facility development issues, development engineering, and transportation planning.

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

18. Segmented information (continued):

Consolidated schedule of segment disclosure:

	2022						2021					
	General government	Protection to persons and property	Transportation services	Environmental services	Health, social and family services	Recreation and cultural services	Planning and development services	Total	Total	Total	Total	Total
Revenue:												
Property taxation and taxation from other governments	\$ 507,028	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 335	\$ 507,363	\$ 507,363	\$ 497,093	\$ 497,093	\$ 497,093
User charges	34,125	21,603	84,809	—	361	22,857	9,738	173,493	173,493	131,095	131,095	131,095
Government transfers (note 20)	4,227	83	4,546	6	83	3,074	1,829	13,848	13,848	37,570	37,570	37,570
Development levies earned and other restricted capital contributions	792	25,393	101,753	—	—	20,719	696	149,353	149,353	110,800	110,800	110,800
Investment income (including reserves and reserve funds)	16,461	—	—	—	—	265	14	16,740	16,740	15,495	15,495	15,495
Penalties, fines and interest	16,443	16,830	—	—	—	180	—	33,453	33,453	32,682	32,682	32,682
Developer contributed tangible capital assets	—	—	84,988	—	—	—	—	84,988	84,988	126,182	126,182	126,182
Other	951	1,218	3,395	—	23	2,798	956	9,341	9,341	6,131	6,131	6,131
	580,027	65,127	279,491	6	467	49,893	13,568	988,579	988,579	957,048	957,048	957,048
Expenses (income) (note 12):												
Salaries, wages and fringe benefits	93,759	114,482	172,223	3,741	1,777	83,314	16,743	486,039	486,039	437,509	437,509	437,509
Materials and supplies	21,086	4,726	60,655	518	275	14,393	4,422	106,075	106,075	82,625	82,625	82,625
Contracted services	40,258	5,336	48,796	7,318	311	28,435	8,701	139,155	139,155	148,958	148,958	148,958
Rents and financial expenses	13,212	273	7,144	—	6	501	28	21,164	21,164	20,993	20,993	20,993
Allocation of corporate expenses to segments	(83,052)	13,603	26,393	2,074	316	37,081	1,000	(2,585)	(2,585)	—	—	—
Government transfers	26	—	—	—	832	—	3,585	4,443	4,443	1,713	1,713	1,713
Amortization	12,032	6,610	85,113	19,029	483	32,245	1,734	157,246	157,246	155,987	155,987	155,987
Other	—	—	—	—	—	15	—	15	15	1,285	1,285	1,285
	97,321	145,030	400,324	32,680	4,000	195,984	36,213	911,552	911,552	849,070	849,070	849,070
Annual surplus (deficit)	\$ 482,706	\$ (79,903)	\$ (120,833)	\$ (32,674)	\$ (3,533)	\$ (146,091)	\$ (22,645)	\$ 77,027	\$ 77,027	\$ 107,978	\$ 107,978	\$ 107,978

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

19. Contractual rights:

The City is involved in various contracts and agreements arising in the ordinary course of business. This results in contractual rights to economic resources, leading to both assets and revenue in the future.

Future revenue from incoming lease agreements for City-owned properties are approximately \$7,900 (2021 - \$6,800). The City also has a number of material Federal and Provincial funding agreements with estimated future funding of approximately \$35,952 (2021 - \$71,583).

The timing of these funding agreements is as follows:

2023	\$ 35,952

In addition, the City has a number of claims based agreements with estimated entitlements of \$34,269 as at December 31, 2022.

20. Government transfers:

Transfers from other governments recognized in the current year:

	2022	2021
General government	\$ 4,227	\$ 10,882
Protection to persons and property	83	211
Transportation services	4,546	25,419
Environmental services	6	—
Health, social and family services	83	102
Recreation and cultural services	3,074	482
Planning and development services	1,829	474
Total funding	\$ 13,848	\$ 37,570

THE CORPORATION OF THE CITY OF BRAMPTON

DRAFT Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of dollars)

Year ended December 31, 2022

20. Government transfers (continued):

During 2022, the City received total funding of nil (2021 - \$51,836) from the provincial government as part of the Safe Restart Agreement. The Safe Restart Agreement is a federal investment to help provinces and territories safely restart their economies. COVID-19 was a global pandemic that started at the beginning of 2020 and lasted until middle of 2020 fiscal year. The City recognized \$7,420 (2021 - \$31,748) as government transfers reported for the current year, as per the funding allocation from the Province of Ontario. The remaining \$20,860 is unspent and has been reported in deferred revenue - general as at December 31, 2022.

21. Subsequent event:

On March 29, 2022, City Council approved the credit facility arrangement with the Canada Infrastructure Bank ("CIB") for financing of Zero Emission Buses ("ZEBs") in the amount of up to \$400 million between January 1, 2022 and December 31, 2027. The CIB is charging the City an interest rate of 1% on funding accessed through the credit facility. Repayment term is 15-years for each round of financing discharged by CIB to the City. Repayments of borrowing through the credit facility arrangement will be funded by operating savings realized as a result of fleet conversion to ZEBs. As at December 31, 2022, there have been no draws against this credit facility.

22. Comparative information:

Certain 2021 comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

Financial Statements of

**THE CORPORATION OF THE
CITY OF BRAMPTON
TRUST FUNDS**

And Independent Auditor's Report thereon

Year ended December 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the City of Brampton

Opinion

We have audited the financial statements of the trust funds of The Corporation of the City of Brampton (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of financial activities and changes in fund balances for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of the Entity as at December 31, 2022, and its results of operations and fund balances for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

DRAFT Statement of Financial Position

[illegible]

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DRAFT Statement of Financial Activities and Changes in Fund Balances

Year ended December 31, 2022, with comparative information for 2021

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF BRAMPTON TRUST FUNDS

DRAFT Notes to Financial Statements

Year ended December 31, 2022

1. Significant accounting policy:

The Corporation of the City of Brampton (the "City") is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, 2001, Municipal Affairs Act, Development Charges Act and related legislation.

The financial statements of The Corporation of the City of Brampton Trust Funds (the "Trust Funds") are prepared by management in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

- (a) 'FS Caption for Receipts', other than interest and letters of credit receipts, are reported on deposits are recognized as revenue upon cash receipt. Interest income and letters of credit receipts are recorded on the accrual basis of accounting.
- (b) Returns of performance deposits are reported in the periods in which they are payable either directly by the Trust Funds or through the City funds. All other expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes expenditures as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.
- (c) Investments, including any term deposits not available on demand, are reported at the lower of amortized cost and market value.

2. Due from the City:

The amounts due from/to the City represent amounts from different Funds, are non-interest bearing, and have no fixed repayment terms.

THE CORPORATION OF THE CITY OF BRAMPTON

TRUST FUNDS

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2022

3. Cemeteries Care and Maintenance Trust Funds:

The City maintains several cemeteries, including the following which have Care and Maintenance Trust Funds which the City administers: Brampton, Page; Hilltop Gore; Shiloh; Alloa; Grahamsville; Zion; Mt. Olivet; St. John - Castlemore; St. John - Snelgrove; St. Mary - Tullamore; and Eventide.

Interest income attributable to each of the individual Trust Funds that is received during any particular year is transferred to the City Revenue Fund in that year to partially offset the maintenance cost for each cemetery to which the individual Trust Funds relate. The operations and investments of the fund are undertaken by the City in accordance with the regulation of the "Cemeteries Act (Revised)".

4. Developers' Performance Deposits Trust:

The Developers' Performance Deposits Trust was established for the following purposes:

- (a) To hold performance deposits made by individual parties to the City as assurance that specific obligations agreed upon are fulfilled. Once fulfilled, the deposit held is returned to the respective party.
- (b) When a party develops a property in the City, generally a letter of credit is obtained from the party's bank, which provides a guarantee to the City that the contract will be completed as specified. Otherwise, the City is able to draw upon the letter of credit and to deposit the funds in the Trust to be later used to pay a third party to complete the contract.

5. Developer Front End Financing Trust Fund:

The Front-End Financing Trust Fund was established in 1993 to receive contributions from developers for studies and construction of services which not only benefit their particular development but will also ultimately benefit other future development. The Front-End Developers provide the initial financing in lieu of the City for the required studies and capital works and enter into agreements with the City to recover the costs associated with other benefiting landowners on a best effort basis.

THE CORPORATION OF THE CITY OF BRAMPTON TRUST FUNDS

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2022

6. Brampton Sports Hall of Fame:

The Brampton Sports Hall of Fame (the "BSHF") is a non-profit organization that was founded to recognize and honour the history of sport in the City of Brampton and in particular those persons who have made outstanding contributions and achievements in the development of sport within the community. The BSHF will collect, preserve, research, exhibit and promote all those objects, images and histories which are determined to be significant to the development of sport in the City.

7. Brampton Marketing Board, Greater Toronto Area and Greater Toronto Marketing Alliance Trust Funds:

The Brampton Marketing Board (the "BMB"), the Greater Toronto Area (the "GTA") and the Greater Toronto Marketing Alliance (the "GTMA") Trust Funds were established to hold contributions made from the development and business community. The Trust Funds were formed as partnerships between the BMB, the GTA and the GTMA. Their mandate is to attain corporate and municipal sponsorship of marketing initiatives for the City, the GTA and the GTMA.

Appendix C

The Corporation of the City of Brampton 2022 Municipal Surplus Reconciliation, Tax Levy purposes vs Consolidated Financial Statements ('000)

	2022	2021
Surplus per CityWide Operating Summary, December 31 (for tax levy purposes)	\$ -	\$ -
Add: Net interfund transfer eliminated in consolidation	70,115	125,844
Add: Grants/subsidies and other revenue received directly by Capital projects	7,080	8,318
Add: Interest earned on reserves and reserve funds not included in the City's operating budget for tax levy purposes	12,439	11,891
Add: Obligatory reserve fund revenues recognized during the year for project funding	149,353	110,800
Add: Developers contributed assets recognized as municipal equity	84,988	126,182
Add: Safe Restart/COVID-19 Revenue earned	7,420	
Less: PSAB adjustments re employee post retirement benefits and other legal liabilities	14,787	4,873
Less: Expenses charged to Capital projects are reclassified as operating in nature	85,006	94,416
Less: Amortization expense	153,775	155,988
Less: Net cost of tangible capital assets disposed	9	1,285
Less: Safe Restart/COVID-19 Deferred Revenue		20,089
Total municipal surplus before consolidation	77,818	106,384
Consolidated entities surplus/(deficit) & other (net of consolidated eliminations, including the Library, BIA etc.):	(791)	3,771
Total annual surplus per Consolidated Statement of Operations , December 31	\$ 77,027	\$ 110,155



The Corporation of the City of Brampton

**Audit Findings Report
for the year ended December 31, 2022**



Licensed Public Accountants

Prepared on May 9, 2023

Presentation on June 12, 2023

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement



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Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.

4	Audit highlights	5	Status of the audit	6	Audit risks and results	12	Additional matters
13	Audit quality	14	Appendices				

The purpose of this report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the consolidated financial statements as at and for the period ended December 31, 2022. This report builds on the Audit Plan we presented to the Audit Committee. This report is intended solely for the information and use of Management, the Audit Committee, and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.





Audit highlights

Status of the audit

We have completed the audit of the consolidated financial statements ("financial statements") of the City of Brampton (the City), with the exception of certain remaining outstanding procedures, which are highlighted on slide 5 of this report.

Uncorrected audit misstatements

No matters to report

Accounting policies and practices

No matters to report

Significant changes to our audit plan

There were no significant changes to our audit plan which was originally communicated to you in the audit planning report.

Corrected audit misstatements

The management representation letter includes all misstatements identified as a result of the audit, communicated to management and subsequently corrected in the financial statements.

Other financial reporting matters

No matters to report

Audit risks and results – significant risks

No matters to report.

Audit risks and results – Restatement

See page 9.

Significant unusual transactions

No matters to report.

Audit risks and results – going concern assessment

No matters to report.

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.



Status of the audit

As of May 9, 2023 i.e. the date of preparation of Audit Findings Report, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the Audit Committee and Council
- Completion of audit quality control procedures
- Obtaining evidence of the Council's approval of the financial statements
- Completion of subsequent event review procedures
- Receipt of signed management representation letter (to be signed upon approval of the financial statements)

We will update the Audit Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditor's report will be dated upon the completion of any remaining procedures.



Significant risks and results

We highlight our significant findings in respect of **significant risks** as identified in our discussion with you in the Audit Plan, as well as any additional risks identified.



Presumption of the risk of fraud involving improper revenue recognition

Significant risk

Estimate?

The primary risk of fraudulent revenue recognition resides with manual journal entries for revenue transactions not in the normal course of business, specifically related to management's calculation of the deferred revenue – obligatory reserve funds.

No

Our response

- Our audit methodology incorporated the required procedures in professional standards to address this risk.
- Our audit approach consisted of evaluating the design and implementation of selected relevant controls. We tested journal entries that meet specific criteria. This criteria was designed during the planning phase of the audit and is based on areas and accounts that are susceptible to manipulation through management override. We also designed search filters that allowed us to identify any unusual journal entries.
- As part of our audit approach to address the inherent risk of error in revenue recognition, we substantively tested revenues (both recognized and amounts held as deferred at year end). We also incorporated an element of uncertainty into the journal entries and revenue testing
- We did not identify any issues related to fraud risk associated with revenue recognition.

Significant findings

- During the year, management reviewed obligatory reserve fund transfers for pre-2016 projects and restated obligatory reserve fund by \$173m as a result of a clean up exercise to move away from year-end estimated PSAS adjustment and recognize revenue based on actual expenditures incurred. See details in Slide 9.



Significant risks and results



Presumed Risk of Management Override of Controls

Significant risk

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

Estimate?

No

Our response

- As this risk is not rebuttable, our audit methodology incorporated the required procedures in professional standards to address this risk.
- These procedures included the testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transaction.
- We did not identify any issues or concerns regarding management override of controls.



Audit risks and results



Revenue

Audit risk

Estimate?

City recognizes revenue from the different streams including property taxation, taxation from other governments, user charges, government grants, development levies earned on restricted capital contributions, investment income, interest earned on reserves, penalties, fines and interest, developer contributed tangible capital assets and other. Management follows the revenue recognition policies reported in the financial statements note 1 to recognize revenue in accordance with PSAS.

No

Our response and significant findings

- To address the risk of fraudulent revenue recognition reported in the audit planning report, we performed procedures outlined in slide 6.
- We obtained the deferred revenue continuity schedule and selected samples for testing to determine if the selected amounts had been recognized in the current year in accordance with the appropriate legislation or agreements that the revenues pertain to.
- We recalculated management's calculation of deferred revenue – obligatory reserve funds as at year-end.
- We also selected a sample of the increases (cash receipts) and decreases (revenue recognition) for deferred revenue during the current year to ensure appropriate revenue recognition
- We obtained and vouched to funding agreements for government transfer and grants on sample basis.
- See next slide for the findings related to restatement of deferred revenue obligatory reserves as at January 1, 2021.



Audit risks and results



Restatement to increase deferred revenue obligatory reserve balance as at January 1, 2021 (opening balance) and December 31, 2021

Other significant finding

Estimate?

No

Prior to 2016, revenue from deferred revenue obligatory reserves was recognized upon capital budget approval of capital projects (the full budgeted amount was recognized upon approval). As a second step, as at year-end, a PSAS adjustment was recorded by management to reverse out unspent amounts related to deferred revenue obligatory based on a pro-rata analysis and assessment. This was done to comply with PSAS which requires revenue to be recognized once eligible expenditures have been incurred. While the year-end true-up method used by the City was considered an accepted method in the industry, it was difficult for management to attain a higher level of accuracy using this method. Based on the audit procedures performed in the previous years, difference in revenue amounts recognized in each individual year was not material in any given year. However, cumulative amounts over many years have grown to be significant.

Over the past few years, the City has been discussing with other municipalities in the GTA on how to improve the tracking of deferred revenue obligatory reserves. Based on discussion with what some of the other municipalities have done, the City changed their process of tracking unspent deferred revenue obligatory reserves in 2016. Thus for projects approved in 2016 and onwards, revenue recognized from deferred revenue obligatory reserve was based on actual eligible expenditures incurred. Thus capital projects approved in 2016 and after are not in scope of this restatement.

However in 2016 a decision was made to leave historical projects as is due to other priorities for Management and Finance. During the current year, the City made a decision to undertake a clean-up project to review all pre-2016 projects on a project-by-project basis in order to identify actual eligible expenditures incurred to date. The City then recalculated the correct unspent deferred revenue obligatory reserve as at January 1, 2021 and December 31, 2021.

Our response and significant findings

- We noted that Management prepared this assessment as at December 31, 2022 for ease and accuracy. Management then identified revenue that should be recognized for fiscal 2022 and 2021 in order to get back to the correct opening balance for deferred revenue obligatory reserves as at January 1, 2021.
- We obtained a summary of pre-2016 projects to identify revenue recognized (based on cash receipts) in excess of the total amount of excess in obligatory reserve fund expenditures incurred as at December 31, 2022 and details related to revenue recognized for 2022 and 2021.
- We recalculated management's calculation and ensured that the total funding and transfers (cash receipts) from deferred revenue obligatory reserve agreed to the initially approved budget.
- We tested any project expenditures incurred before 2021 as well as during 2022 and 2021 fiscal years substantively for their existence and accuracy.
- We performed completeness check to ensure all pre-2016 projects are included in management's calculation and any funding (cash receipts) from obligatory reserve funds exceeding expenditures are properly returned to deferred revenue obligatory reserve funds at year-end.
- We reviewed and recalculated deferred revenue obligatory reserve fund continuity to ensure all contributions and transfers are rolled properly based on the restated amounts.
- Based on the testing performed, we noted that the restated balances for deferred revenue obligatory reserve and opening accumulated surplus as at January 1, 2021, December 31, 2021 and December 31, 2022 are reasonable.



Other audit findings and results



Employee benefits and liabilities

Other significant finding

Estimate?

In prior year, the City engaged an external actuarial consultant, (the “Actuary”) to undertake a valuation of the City’s non-pension retirement benefits and accumulated sick leave liability as at December 31, 2019. A valuation update was performed to determine the liability as reported in the City’s 2022 financial statements. The employee benefit liabilities as at December 31, 2022 are outlined in note 9 to the financial statements.

Yes – Employee future benefits obligation

A discount rate of 3.75% (2020 – 3.5%) was used for the determination of the liability.

Our response

- We assessed the participant data supplied by management to the Actuary for completeness and accuracy.
- We obtained the actuarial valuation report and engaged our KPMG actuarial specialist team to audit the method and assumptions applied in the valuation.
- We evaluated the discount rate in comparison with rates issued by the Canadian Institute of Actuaries (“CIA”) and KPMG LLP.
- We assessed the qualifications, competence and objectivity of the actuary as required by the Canadian auditing standards.
- We assessed the disclosures in the financial statements against the requirements of the PSAS.

Significant findings

- Based on our review of the memo prepared by the Actuary, we noted that method applied for the estimate is acceptable per CIA and PSAS 3250 Retirement Benefits.
- KPMG actuarial specialist team assessed the key assumptions including discount rate used by the Actuary in light of the City’s financial results. KPMG specialists noted that the assumptions used were set at the time of the most recent full valuation of the Plans (Dec 31, 2019). This is not in accordance with the Accounting Standard for an unfunded plan which requires assumptions to be appropriate at the measurement date. Some assumptions may not need to be updated annually but certain assumptions such as the discount rate for the funded plans often differ significantly year-over-year due to change in market conditions and thus need to be reassessed and re-determined on an annual basis at each measurement date. For 2022 year-end, this issue has immaterial impact on financial reporting. We have shared this feedback from our actuarial specialists with Management as well as Management’s actuary.
- The disclosures included in the financial statements are in accordance with the requirements of the PSAS.
- Based on the audit work performed, we did not note any issues related to the calculation of the City’s Employee Benefits Liabilities as at December 31, 2022.



Other audit findings and results



Contingencies

Other significant finding

Estimate?

PSAS 3300 Contingent Liabilities requires that the City recognize a liability when "it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements; and the amount can be reasonably estimated."

Yes

At any point in time, the City is subject to a number of matters which could potentially result in the determination of a contingent liability as defined above, including, but not limited to matters such as legal claims, etc.

The City has disclosed the self insurance liability in notes 14 and 16 of the financial statements.

Our response and significant findings

- We held discussions with the Risk and Insurance division of the City to understand the process employed to determine the estimates for the liabilities related to self insurance and legal matters.
- We obtained an understanding of the methodologies applied to compute the estimate, data involved, and assumptions applied.
- We obtained and evaluated the City's assessments and claims listing that are used to develop and record these estimated liabilities.
- We obtained a legal confirmation from the internal legal counsel and evaluated the assessments made by internal legal counsel on the pending legal matters in terms of determination of likelihood and measurability.
- Based on the audit work performed, we are satisfied that the method, data, and assumptions used by the City's Risk and Insurance division are reasonable and consistent with the industry norms. The approach is also consistent with prior years.
- As these items are resolved, it is possible that the final amounts recorded for these liabilities may change, however the amounts currently recorded represent management's best estimates of exposure given the information presently available.
- Based on the work performed, the contingent liabilities reported by the City are reasonable.



Significant accounting policies and practices



Initial selections of significant accounting policies and practices

None in 2022



Description of new or revised significant accounting policies and practices

None in 2022

Significant accounting policies are disclosed in Note 1 to the consolidated financial statements



Significant qualitative aspects of the Company's accounting policies and practices

Significant accounting policies are disclosed in Note 1 to the consolidated financial statements

Estimates and assumptions are disclosed in Note 1(r).



Audit quality: How do we deliver audit quality?

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 contributes to its delivery.

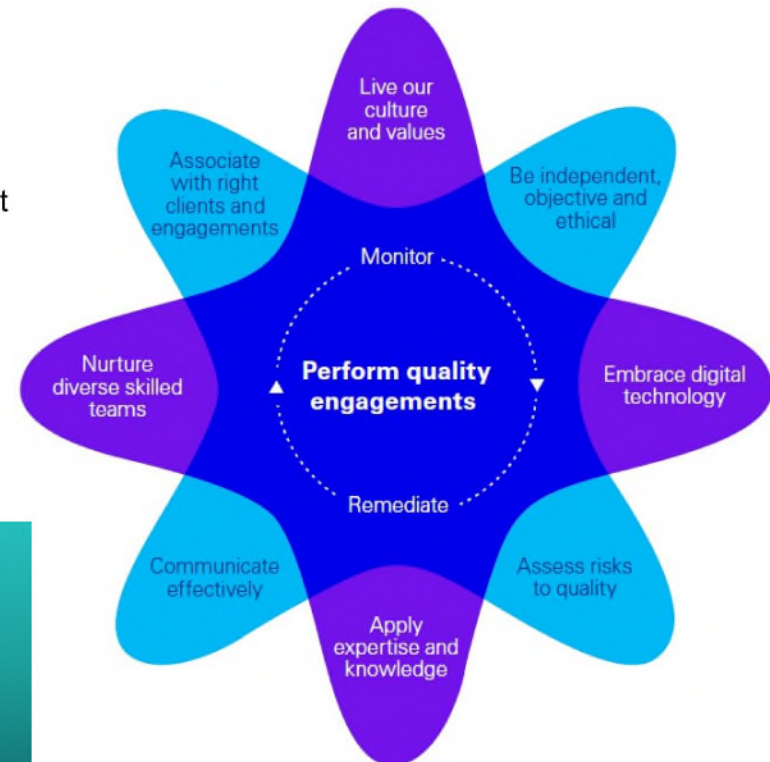
Perform quality engagement sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

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.

 [KPMG 2022 Audit Quality and Transparency Report](#)

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**.



Appendices

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Other required communications

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Newly effective and upcoming changes to accounting standards

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Upcoming changes to auditing standards

26

Environmental, social and governance (ESG)

30

Audit and Assurance Insights

Appendix: Other required communications

Auditor's report:

The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.

Representation of management:

A copy of the management representation letter.

Auditor's Quality in Canada:

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 quality inspections conducted over the past year:

- [CPAB Audit Quality Insights Report: 2021 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Annual Inspections Results](#)



Appendix: Newly effective auditing standards

CAS 315 (Revised) Identifying and Assessing the Risks of Material Misstatement has been revised, reorganized and modernized in response to challenges and issues with the previous standard. It aims to promote consistency in application, improve scalability, reduce complexity, support a more robust risk assessment and incorporate enhanced guidance material to respond to the evolving environment, including in relation to information technology. Conforming and consequential amendments have been made to other International Standards on Auditing.





Appendix: Newly effective auditing standards

Key change	Impact on the audit team	Impact on management
<p>Overall, a more robust risk identification and assessment process, including:</p> <ul style="list-style-type: none">• New requirement to take into account how, and the degree to which, 'inherent risk factors' affect the susceptibility of relevant assertions to misstatement• New concept of significant classes of transactions, account balances and disclosures and relevant assertions to help us to identify and assess the risks of material misstatement• New requirement to separately assess inherent risk and control risk for each risk of material misstatement• Revised definition of significant risk for those risks which are close to the upper end of the spectrum of inherent risk	<p>When assessing inherent risk for identified risks of material misstatement, we consider the degree to which inherent risk factors (such as complexity, subjectivity, uncertainty, change, susceptibility to management bias) affect the susceptibility of assertions to misstatement.</p> <p>We use the concept of the spectrum of inherent risk to assist us in making a judgement, based on the likelihood and magnitude of a possible misstatement, on a range from higher to lower, when assessing risks of material misstatement</p> <p>The changes may affect our assessments of the risks of material misstatement and the design of our planned audit procedures to respond to identified risks of material misstatement.</p> <p>If we do not plan to test the operating effectiveness of controls, the risk of material misstatement is the same as the assessment of inherent risk.</p>	<p>If the effect of this consideration is that our assessment of the risks of material misstatement is higher, then our audit approach may increase the number of controls tested and/or the extent of that testing, and/or our substantive procedures will be designed to be responsive to the higher risk.</p> <p>We may perform different audit procedures and request different information compared to previous audits, as part of a more focused response to the effects identified inherent risk factors have on the assessed risks of material misstatement.</p>



Appendix: Newly effective auditing standards

Key change	Impact on the audit team	Impact on management
Overall, a more robust risk identification and assessment process, including evaluating whether the audit evidence obtained from risk assessment procedures provides an appropriate basis to identify and assess the risks of material misstatement	When making this evaluation, we consider all audit evidence obtained, whether corroborative or contradictory to management assertions. If we conclude the audit evidence obtained does not provide an appropriate basis, then we perform additional risk assessment procedures until audit evidence has been obtained to provide such a basis.	In certain circumstances, we may perform additional risk assessment procedures, which may include further inquiries of management, analytical procedures, inspection and/or observation.
Overall, a more robust risk identification and assessment process, including performing a 'stand back' at the end of the risk assessment process	We evaluate whether our determination that certain material classes of transactions, account balances or disclosures have no identified risks of material misstatement remains appropriate.	In certain circumstances, this evaluation may result in the identification of additional risks of material misstatement, which will require us to perform additional audit work to respond to these risks.

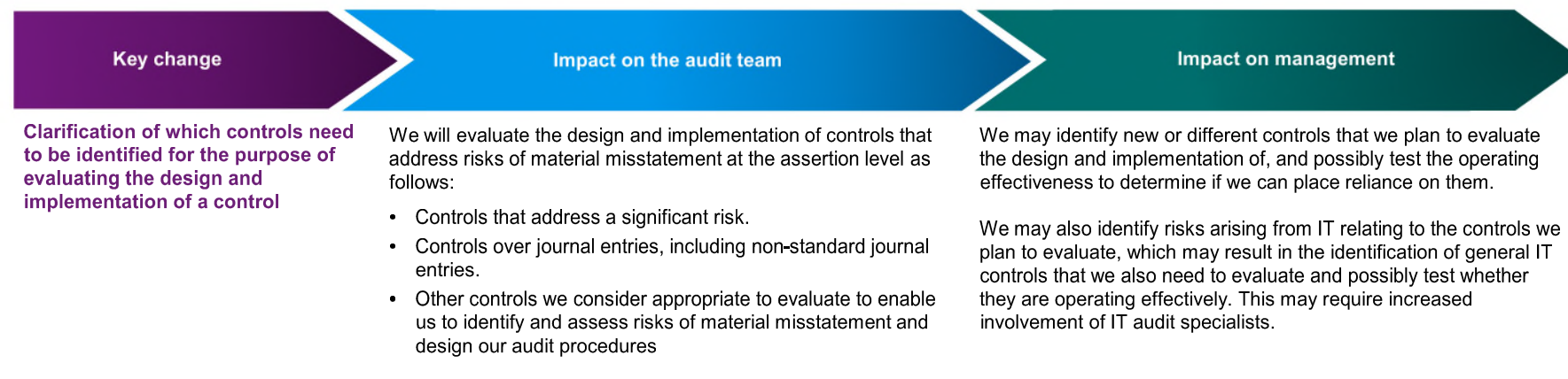


Appendix: Newly effective auditing standards

Key change	Impact on the audit team	Impact on management
Modernized to recognize the evolving environment, including in relation to IT	<p>New requirement to understand the extent to which the business model integrates the use of IT.</p> <p>When obtaining an understanding of the IT environment, including IT applications and supporting IT infrastructure, it has been clarified that we also understand the IT processes and personnel involved in those processes relevant to the audit.</p> <p>Based on the identified controls we plan to evaluate, we are required to identify the:</p> <ul style="list-style-type: none">• IT applications and other aspects of the IT environment relevant to those controls• related risks arising from the use of IT and the entity's general IT controls that address them. <p>Examples of risks that may arise from the use of IT include unauthorized access or program changes, inappropriate data changes, risks from the use of external or internal service providers for certain aspects of the entity's IT environment or cybersecurity risks.</p>	<p>We will expand our risk assessment procedures and are likely to engage more extensively with your IT and other relevant personnel when obtaining an understanding of the entity's use of IT, the IT environment and potential risks arising from IT. This might require increased involvement of IT audit professionals.</p> <p>Changes in the entity's use of IT and/or the IT environment may require increased audit effort to understand those changes and affect our assessment of the risks of material misstatement and audit response.</p> <p>Risks arising from the use of IT and our evaluation of general IT controls may affect our control risk assessments, and decisions about whether we test the operating effectiveness of controls for the purpose of placing reliance on them or obtain more audit evidence from substantive procedures. They may also affect our strategy for testing information that is produced by, or involves, the entity's IT applications.</p>
Enhanced requirements relating to exercising professional skepticism	<p>New requirement to design and perform risk assessment procedures in a manner that is not biased toward obtaining audit evidence that may be corroborative or toward excluding audit evidence that may be contradictory. Strengthened documentation requirements to demonstrate the exercise of professional skepticism.</p>	<p>We may make changes to the nature, timing and extent of our risk assessment procedures, such as our inquiries of management, the activities we observe or the accounting records we inspect.</p>



Appendix: Newly effective auditing standards





Appendix: Changes in accounting standards

Standard	Summary and implications
Asset retirement obligations	<ul style="list-style-type: none">• The new standard PS 3280 <i>Asset retirement obligations</i> is effective for fiscal years beginning on or after April 1, 2022.• The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets.• The asset retirement obligations ("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 if the asset is in productive use.• As a result of the new standard, the public sector entity will:<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 ARO and obtain information to estimate the value of potential ARO to avoid unexpected issues.



Appendix: Changes in accounting standards (continued)

Standard	Summary and implications
Financial instruments and foreign currency translation	<ul style="list-style-type: none">• The new standards PS 3450 <i>Financial instruments</i>, PS 2601 <i>Foreign currency translation</i>, PS 1201 <i>Financial statement presentation</i> and PS 3041 <i>Portfolio investments</i> are effective for fiscal years beginning on or after April 1, 2022.• 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.• PS 3450 <i>Financial instruments</i> was amended subsequent to its initial release to include various federal government narrow-scope amendments.
Revenue	<ul style="list-style-type: none">• The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after April 1, 2023.• The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.• The standard notes that in the case of revenue 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 revenue arises 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.



Appendix: Changes in accounting standards (continued)

Standard	Summary and implications
Purchased Intangibles	<ul style="list-style-type: none">• The new Public Sector Guideline 8 <i>Purchased intangibles</i> is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted.• The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles.• Narrow scope amendments were made to PS 1000 <i>Financial statement concepts</i> to remove the prohibition to recognize purchased intangibles and to PS 1201 <i>Financial statement presentation</i> to remove the requirement to disclose purchased intangibles not recognized.• The guideline can be applied retroactively or prospectively.
Public Private Partnerships	<ul style="list-style-type: none">• The new standard PS 3160 <i>Public private partnerships</i> is effective for fiscal years beginning on or after April 1, 2023.• The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership.• 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 public private partnership 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.• The standard can be applied retroactively or prospectively.



Appendix: Changes in accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none">• The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted.• The framework provides the core concepts and objectives underlying Canadian public sector accounting standards.• The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.
Financial Statement Presentation	<ul style="list-style-type: none">• The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.• The proposed section includes the following:<ul style="list-style-type: none">• Relocation of the net debt indicator to its own statement called 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 total assets followed by total 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.• The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.



Appendix: Changes in accounting standards (continued)

Standard	Summary and implications
Employee benefits	<ul style="list-style-type: none">• The Public Sector Accounting Board has initiated a review of sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>.• The intention is 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, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.• The proposed section PS 3251 <i>Employee benefits</i> will replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively.• This proposed section would result in public sector entities 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.• The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.



Appendix: Environmental, Social and Governance (ESG)

The Importance of Sustainability Reporting



Sustainability Reporting – Who is impacted?

- **Lenders and underwriters** – increased focus on ESG considerations when making access to capital decisions
- **Investors** – ESG integration has become an investment norm
- **Employees** – ESG has become a key factor in attracting and retaining top talent
- **Consumers** – stakeholders increasingly scrutinize companies' ESG performance and transparency affecting brand acceptance and consumer demand



Importance to the Audit Committee

- **Regulatory developments** – ESG-related compliance costs and disclosure requirements continue to evolve as rules are finalized
- **Material ESG issues** – Audit Committees should understand stakeholder priorities and the company's material ESG risks and opportunities
- **Value creation** – developing a clear ESG strategy, along with a standardized reporting process can set a company apart from its competitors



Governance on ESG Data and Sustainability Reporting

- **Data collecting and reporting** – understand the ESG frameworks and reporting standards most commonly adopted in the industry and jurisdiction (benchmark to others in the industry)
- **ESG assurance** – Audit Committees are best positioned to understand which ESG metrics merit assurance. An assurance readiness assessment on Carbon is a common and often recommended first place to start



Appendix: Environmental, Social and Governance (ESG)

All companies are facing climate-related risks and opportunities – and are making strategic decisions in response. The impacts of climate-related risks in the financial statements are broad, potentially complex and will depend on the industry-specific risks.

How might climate-related risks impact the financial statements?



01

Assets

Consider the useful lives and residual values of PP&E and intangible assets, cash flow projections used for impairment testing of non-financial assets, and the potential impacts on inventories.

02

Liabilities

Consider the recognition of environmental and decommissioning obligations, accounting for emissions or 'green' schemes, impact on employee-benefit arrangements, and restructuring provisions.

03

Borrowers

Consider the accounting for different forms of government assistance, potential for embedded derivatives in green bonds, lease of green technology, impacts of leasing polluting assets.

04

Lenders

Consider how climate-related risks impact operating and financing leases, the potential impact on expected credit losses, and whether green loans meet the SPPI criterion.

05

Disclosures

Consider the impact on the going concern assessment and related disclosures and whether the impacts of climate-related matters have been disclosed clearly.



[See here for more information](#)



Appendix: Environmental, Social and Governance (ESG)

All companies are facing climate-related risks and opportunities – and are making strategic decisions in response. The impacts of climate-related risks in the financial statements are broad, potentially complex and will depend on the industry-specific risks.

How might climate-related risks impact the financial statements?



- 01 Long-lived assets
- 02 Leases
- 03 Impairment of nonfinancial assets
- 04 Financial instruments
- 05 Contingencies and insurance
- 06 Revenue and inventories
- 07 Compensation and benefits
- 08 Income taxes
- 09 Acquisitions and restructuring
- 10 Fair value measurement and projections
- 11 Presentation and disclosure



[See here for more information](#)



Appendix: Environmental, Social and Governance (ESG)

The Sustainability reporting journey: Regulatory update

International (ISSB)

EU (EFRAG)

US (SEC)

Canada (CSA)

Recent activity ¹	<ul style="list-style-type: none"> Proposals published in March 2022 include IFRS S1 – general requirements for disclosure of sustainability-related financial information and IFRS S2 – climate-related disclosures, which would require investor-focused information on all sustainability-related risks and opportunities that the company is exposed to Applicability will be determined by national jurisdictions The ISSB has been actively redeliberating its two proposals with goal of finalizing as early as possible in 2023 Some of the key items discussed at recent meetings include: keeping Scope 3 emissions disclosures in the final standards, requirement to report at the same time as financial statements, and maintaining the concept of investor materiality 	<ul style="list-style-type: none"> Proposals published in April 2022 would require companies to report information to meet the needs of all stakeholders across a range of sustainability topics specified in the CSRD In November, the European Parliament and European Council approved and adopted the CSRD, which amends and significantly expands the existing EU requirements for sustainability reporting In December, the CSRD was published in the Office Journal of the EU and will enter into force in early 2023. Member states will then have 18 months to transpose it into national law, and may make revisions as part of that process Notwithstanding that the CSRD is an EU Directive, there are considerable ESG reporting implications for non-EU based companies² 	<ul style="list-style-type: none"> Proposal published in March 2022 would require investor-focused climate disclosures Due to a technological error, the SEC reopened the comment period through November 1 for its proposed climate rules and its proposed ESG rules for investment companies and advisers (along with other proposed rules) The SEC expects to release its final climate rules in April 2023 The SEC's recent agenda also includes looking at disclosure rules on human capital management, with a proposal expected to be released in April 2023 	<ul style="list-style-type: none"> Proposal published in October 2021 would require investor-focused climate disclosures In October 2022, the CSA stated that it continues to actively consider international developments and how they may impact or inform its proposed climate-related disclosure rule <p>What about the CSSB?</p> <ul style="list-style-type: none"> The Canadian Sustainability Standards Board (CSSB) is in the early stages of development and aims to be operational by April 2023 In December, the CSSB was appointed an inaugural member of the SSAF, which will work with the ISSB towards a comprehensive global baseline of sustainability-related disclosure for capital markets
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1. Refer to our [Q4 2022 Current Developments – Spotlight on IFRS](#), [Q4 2022 Current Developments – Canadian Securities](#) and [Q4 2022 US Quarterly Outlook](#) publications for more details

2. Refer to our publication [ESG in Europe – Requirements covering non-EU companies formally adopted](#)



Appendix: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

Current Developments

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.

Audit Committee Guide – Canadian Edition

A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

Accelerate 2023

The key issues driving the audit committee agenda in 2023.

Momentum

A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

KPMG Climate Change Financial Reporting Resource Centre

Our climate change resource centre provides insights to help you identify the potential financial statement impacts to your business.

IFRS Breaking News

A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.





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