



Minutes

Audit Committee

The Corporation of the City of Brampton

Tuesday, May 4, 2021

Members Present:

Regional Councillor M. Medeiros
Regional Councillor R. Santos
Regional Councillor M. Palleschi
Regional Councillor G. Dhillon
City Councillor J. Bowman
City Councillor D. Whillans
City Councillor H. Singh
Iqbal Ali,
Rishi Jain
Abid Zaman

Staff Present:

David Barrick, Chief Administrative Officer
Richard Gervais, Acting Director, Internal Audit
Michael Davidson, Commissioner, Corporate Support Services
Sandeep Aujla, Director, Human Resources, Corporate Support Services
Mark Medeiros, Acting Treasurer, Corporate Support Services
Sameer Akhtar, City Solicitor
Maciej Jurczyk, Senior Manager, Business Improvement and Innovation, Office of the CAO
Peter Fay, City Clerk, Legislative Services
Charlotte Gravlev, Deputy City Clerk, Legislative Services
Sonya Pacheco, Legislative Coordinator, Legislative Services

1. **Call to Order**

Note: In consideration of the current COVID-19 public health orders prohibiting large public gatherings of people and requirements for physical distancing between persons, in-person attendance at this Audit Committee meeting was limited to Members of Council and essential City staff only. Physical distancing was maintained in Council Chambers at all times during the meeting.

The meeting was called to order at 9:30 a.m. and adjourned at 12:47 p.m.

As this meeting of the Audit Committee was conducted with electronic participation by the Members, the meeting started with the City Clerk calling the roll for attendance at the meeting, as follows:

Members present during roll call: Councillor Medeiros, Councillor Santos, Councillor Palleschi, Councillor Dhillon, Councillor Bowman, Councillor Singh, Councillor Whillans, Abid Zaman, Iqbal Ali, Rishi Jain

Other Council Members present: Councillor Vicente, Councillor Fortini

Note: City Councillor Whillans left the meeting at 10:55 a.m. and returned at 11:06 a.m. (other municipal business)

2. **Approval of Agenda**

The following motion was considered.

AU009-2021

That the agenda for the Audit Committee Meeting of May 4, 2021 be approved as published and circulated.

Carried

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

Nil

4. Consent

In keeping with Council Resolution C019-2021, the Meeting Chair reviewed the relevant agenda items during this section of the meeting and allowed 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.

There were no items identified to be approved under consent.

5. Presentations\Delegations

5.1 Delegation from Kevin Travers, Lead Audit Engagement Partner, KPMG LLP, re: 2020 Audited Consolidated Financial Statements for the City of Brampton

Item 7.1 was brought forward and dealt with at this time.

Kevin Travers, Lead Audit Engagement Partner, KPMG LLP, provided an overview of the Audit Findings Report prepared by KPMG for the year ended December 31, 2020 (appended to Report Item 7.1).

Mr. Travers and staff responded to questions from Committee with respect to the following:

- Impact of the COVID-19 pandemic on the performance of the audit
- Confirmation that there were no audit differences in this audit period and no significant issues were identified
- Reporting of surplus funds from hiring gaps
- Purpose of the KPMG audit

The following motion was considered.

AU010-2021

1. That the delegation from Kevin Travers, Lead Audit Engagement Partner, KPMG LLP, to the Audit Committee Meeting of May 4, 2021, re: **2020 Audited Consolidated Financial Statements for the City of Brampton**, be received; and
2. That the report titled: **2020 Audited Consolidated Financial Statements for the City of Brampton**, to the Audit Committee Meeting of May 4, 2021, be received; and

3. That the 2020 Audited Consolidated Financial Statements for the City of Brampton, be approved.

Carried

6. Reports - Internal Audit

6.1 Staff Report re: Annual Report - 2020

Committee discussion took place with respect to the following:

- Staffing changes in the Internal Audit Office
- Concerns regarding the independence of the audit function under the existing charter
- Process for the reconsideration of a Council decision, and a suggestion that the approval of the audit charter be reopened at a future Council meeting
- Review process and results for the 28 complaints received through the Corporate Fraud Prevention Hotline, and the referral of these complaints to a third party investigator
 - Staff confirmed no investigations were conducted, recommendations were provided to the Human Resources Division, and the complaints were closed
 - Concerns regarding the complaints process and the lack of information provided to Audit Committee
 - Indication from staff that the full review report can be provided to Audit Committee
 - Information from staff regarding the review, reporting and decision-making process relating to the 28 complaints, including the selection of the third party investigators
 - Audit Charter in effect during the time these complaints were under review
 - High level reporting to Audit Committee through the Corporate Fraud Prevention Hotline Update reports
 - Suggestion to update the complaints process to provide more transparency
- Questions regarding the Cyber Maturity and Vulnerability Assessment and the Real Estate Management audit deferral to 2021

The following motion was introduced:

That staff be directed to report to the Audit Committee on the process for review, investigation and reporting of complaints submitted to the Corporate Fraud Prevention Hotline ;

That a draft process with enhanced transparency for the Audit Committee's awareness and consideration be provided.

Further Committee discussion on this matter included the following:

- Increase in the number of complaints received in 2020 and a request for information on the nature, findings and action taken for the complaints
- Indication from staff that the Standard Operating Procedures for complaints received through the hotline does not include reporting to the Audit Committee
- Timeline for the recruitment of the Internal Audit Director, which is dependent on Council's decision regarding the implementation of the Auditor General model
- Clarification from staff regarding the 2019 and 2020 reviews of complaints received

An amendment to the motion was introduced to add the following clause:

That the 2020 summary of findings report be provided to the Audit Committee at its next meeting, and the associated lawyer be invited to delegate.

The motion, in its entirety, was considered as follows:

AU011-2021

1. That the report titled: **Annual Report- 2020**, to the Audit Committee Meeting of May 4, 2021, be received; and
2. That staff be directed to report to the Audit Committee on the process for review, investigation and reporting of complaints submitted to the Corporate Fraud Prevention Hotline ;
3. That a draft process with enhanced transparency for the Audit Committee's awareness and consideration be provided; and
4. That the 2020 summary of findings report be provided to the Audit Committee at its next meeting, and the associated lawyer be invited to delegate.

A recorded vote was requested and the motion carried unanimously, as follows:

Yea (10): Regional Councillor Santos, City Councillor Whillans, Regional Councillor Palleschi, Regional Councillor Medeiros, City Councillor Bowman, City Councillor Singh, Regional Councillor Dhillon, Citizen Member Ali, Citizen Member Jain and Citizen Member Zaman

Carried (10 to 0)

6.2 Staff Report re: Corporate Fraud Prevention Hotline Update – Q1 2021

Committee discussion on this matter included the following:

- Standard Operating Procedures for complaints of fraud received through the hotline
- High level updates provided to the Audit Committee regarding fraud complaints, and a request that the report category be provided in future update reports, as was previously done
- Review process for complaints and how they are closed
- Increase in the number of complaints received over the last 18 months
- Concerns regarding the nature of complaints being received through the hotline and through emails to Members of Council
- Indication that some complaints received through the hotline should be dealt with through alternate mechanisms
- Status of the hotline contract extension for a one-year term, and research on costing for the potential expansion of the hotline to the public
- The need to communicate and raise awareness of the hotline and the Whistleblower policy to staff
- Concerns regarding the decision-making process for investigating and closing hotline complaints

The following motion was considered.

AU012-2021

That the report titled: **Corporate Fraud Prevention Hotline Update - Q1 2021**, to the Audit Committee Meeting of May 4, 2021, be received.

Carried

6.3 Staff Report re: Status of Management Action Plans (MAP) – March 31, 2021

The following motion was considered.

AU013-2021

That the report titled: **Status of Management Action Plans (MAP) – March 31, 2021**, to the Audit Committee Meeting of May 4, 2021, be received.

Carried

6.4 Staff Report re: Whistleblower Information Report

Committee discussion on this matter included the following:

- Whistleblower policies and by-laws established in other GTHA municipalities, including the Region of Peel and City of Mississauga
- Differences between implementing a policy and by-law, and a suggestion that a stand-alone policy be developed in Brampton that closely aligns with the Region of Peel and City of Mississauga
- Timelines for completion of the proposed policy and its review by the Audit Committee
- Indication that whistleblower protections are provided in the City's Employee Code of Conduct

The following motion was considered.

AU014-2021

1. That the report titled: **Whistleblower Information Report**, to the Audit Committee Meeting of May 4, 2021, be received; and

2. That staff be directed to develop a draft stand-alone Whistleblower policy.

A recorded vote was requested and the motion carried unanimously, as follows:

Yea (10): Regional Councillor Santos, City Councillor Whillans, Regional Councillor Palleschi, Regional Councillor Medeiros, City Councillor Bowman, City Councillor Singh, Regional Councillor Dhillon, Citizen Member Ali, Citizen Member Jain and Citizen Member Zaman

Carried (10 to 0)

6.5 Staff Report re: HR Employee Benefits Audit (Phase 2)

Committee discussion on this matter included the following:

- Clarification from staff regarding changes to the final report from what was previously provided to the Audit Committee Chair and Vice Chair
- Information regarding the finding relating to overbilling by a service provider, and the possibility of implementing enhanced internal controls more broadly within the corporation to prevent future incidents

The following motion was considered.

AU015-2021

That the report titled: **HR Employee Benefits Audit (Phase 2)**, to the Audit Committee Meeting of May 4, 2021 be received.

Carried

7. Reports - Finance

7.1 Staff Report re: 2020 Audited Consolidated Financial Statements for the City of Brampton

Dealt with under Item 5.1 - Recommendation AU010-2021

8. Other/New Business

8.1 Staff Report re: Analysis of Adopting an Auditor General Model

Committee discussion on this matter included the following:

- Concerns regarding the current Internal Audit reporting structure to the CAO, and the potential impact on the independence of the audit function
- Importance of ensuring the audit function is independent and a suggestion that the audit function report directly to the Audit Committee
- Opinions that an Auditor General model would restore and enhance the independence of the audit function
- Consideration of a hybrid Auditor General model, and the need to review potential additional resources and transitional costs

D. Barrick, CAO, referenced industry standards and advised that an Internal Audit Function Review was previously performed by KPMG LLP. Mr. Barrick

advised that Nick Rolfe, Partner, KPMG LLP, was present in the meeting to respond to questions from Committee regarding this review.

In response to a question from Committee, information was provided on the timeline of the KPMG review in relation to the staff report on the new Internal Audit Charter, presented to Audit Committee on September 8, 2020.

In response to further questions from Committee, Mr. Rolfe provided information on the Internal Audit Function Review performed by KPMG, the role of Internal Audit Directors to ensure the independence of the audit function, and the role of management in reviewing audit findings. In addition, Mr. Rolfe responded to questions regarding the appropriateness of the current Internal Audit reporting structure, as outlined in the Charter.

Committee discussion took place with respect to the following:

- Differences between the Auditor General and Internal Audit model functions
- Hybrid Auditor General and Internal Audit model in the City of Hamilton
- Auditor General models in other municipalities, including contracted services and budgets
- Internal Audit Office operating budget
- Process and timelines for moving to an Auditor General model
- Internal Audit reporting structure under the previous and current Audit Charter
- Indication from staff that the Audit Charter was revised to align with the *Municipal Act*, in accordance with direction from the Audit Committee
- Indication that a reconsideration of the approval of the Audit Charter can occur at Council
- The need to address concerns regarding the independence of the Internal Audit function and a suggestion to reinstate the previous Audit Charter
- Concerns that the appointment, dismissal and remuneration of the Internal Audit Director is under the responsibility of the CAO, due to the potential impact on the independence and objectivity of the internal audit function
- Request that the Audit Committee Chair and Vice Chair be advised when external agencies are invited to future Audit Committee meetings

A point of order was raised by City Councillor Bowman. The Chair gave leave for the point of order. In response to information provided by staff, Councillor

Bowman clarified that the Audit Committee did not provide direction for changes made to the Audit Charter relating to the reporting structure of Internal Audit.

The following motion was considered.

AU016-2021

That the report titled: **Analysis of Adopting an Auditor General Model**, to the Audit Committee Meeting of May 4, 2021, be received.

Carried

9. Question Period

Nil

10. Public Question Period

The public was given the opportunity to submit questions via e-mail to the City Clerk's Office regarding any decisions made at this meeting. P. Fay, City Clerk, confirmed that no questions were submitted regarding decisions made at this meeting.

11. Closed Session

Nil

12. Adjournment

The following motion was considered.

AU017-2021

That the Audit Committee do now adjourn to meet again on Wednesday, September 28, 2021 at 9:30 a.m. or at the call of the Chair.

Carried

Regional Councillor M. Medeiros, Chair