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THE REGIONAL MUNICIPALITY OF PEEL

AUDIT SUBCOMMITTEE

MINUTES

ASC-2009-5

The Audit Subcommittee met on October 8, 2009, at 8:35 a.m. in the Council Chamber, Regional Administrative Headquarters, 10 Peel Centre Drive, Suite A, Brampton.

Members Present: E. Kolb; C. Corbasson; A. Thompson; R. Whitehead

Absent: G. Miles

Also Present: D. Szwarc, Chief Administrative Officer; N. Trim, Chief Financial Officer and Commissioner of Corporate Services; K. Gillespie, Commissioner of Employee and Business Services; D. Labrecque, Commissioner of Environment, Transportation and Planning Services; S. Hewitt, Director, Operations Support Administration; J. Macintyre, Director, Purchasing; P. Wallis, Director, Internal Audit; K. Travers, Associate Partner (KPMG); H. West, Committee Clerk

Chaired by Councillor Whitehead

1. DECLARATIONS OF CONFLICTS OF INTEREST - Nil

2. APPROVAL OF AGENDA

RECOMMENDATION ASC-7-2009:

That the agenda for October 8, 2009, Audit Subcommittee meeting be approved.

3. DELEGATIONS/PRESENTATIONS

- a) **Paul Wallis, Director, Internal Audit**, Presenting "Internal Audit – Supporting the Region" A Brief Overview of Short-term Strategies and Continuous Improvement Initiatives for Internal Audit

Received

Paul Wallis, Director of Internal Audit provided an overview of short-term strategies and continuous improvement initiatives which will support modern internal auditing for the Region of

* See text for arrivals

♦ See text for departures

Peel. Continuous improvement involves recognizing the needs of multiple stakeholders, continually improving operations through efficiency, adding value and being proactive in meeting the Region's needs.

Ten initiatives were identified to support continuous improvement. These include:

1. Developing an internal audit strategic plan linked to the Regional Strategic Plan;
2. Building communications by providing regular reporting to all stakeholders (Audit Subcommittee and Regional management);
3. Using internal audits to identify systemic issues and find solutions based on the root causes;
4. Developing a flexible audit planning approach that will recognize emerging risks and staffing priorities;
5. Using automation to improve the efficiency of audit operations;
6. Developing continuous audit techniques to focus on data anomalies and high risk transactions;
7. Developing outcome oriented performance measures and benchmarking tools;
8. Changing audit report format to support brief, balanced and proactive reporting;
9. Supporting Enterprise Risk Management as an approach to focus control on high risks activities; and
10. Certifying internal audit through a quality assurance review.

Paul Wallis advised that these initiatives are underway and most should be implemented by Spring of 2010.

Regional Chair Kolb commented on the role of information technology as it related to enterprise risk management. Information technology represents a large investment for the Region and, while significant benefits can be derived from information technology, there are risks. He noted that during the recession the private sector cutback on information technology and he requested reassurance for the benefit of the public and members of Regional Council that the Region's Information Technology division continues to move in the right direction.

4. REPORTS

a) **KPMG 2009 Audit Planning Report**

Presentation by Kevin Travers, Associate Partner, KPMG

Received

Kevin Travers, Associate Partner with KPMG highlighted components of the formal Audit Planning Report for the Regional Municipality of Peel and the Peel Housing Corporation for the year ending December 31, 2009. Kevin Travers stated that there will be a significant change to the financial statements for the Region of Peel noting the introduction of reporting including tangible capital assets which will appear on the balance sheet and the statement of operations. Kevin Travers identified milestones and deliverables for the current year and indicated that there will be a largely substantive high level control approach regarding the tangible capital assets for the next couple of years to ensure that additions and disposals are accurately captured.

Regional Chair Kolb enquired if KPMG audits agencies to which the Region of Peel provides financial resources. Kevin Travers responded KPMG's objective is to provide an opinion on the Region of Peel financial statements and that it is not in KPMG's jurisdiction to review recipient organizations, other than to ensure that the funds have been appropriately reflected as an expense within the Region's financial statements.

Richard Whitehead, Committee Chair enquired how the Regional staff will manage issues of depreciation. Kevin Travers responded that a policy will be established to address depreciating capital assets.

Richard Whitehead asked if there will be an easy link to see if depreciation on an asset can be compared to the appreciation of the reserve fund. Kevin Travers responded that the difficulty in comparing depreciation and appreciation is the historical cost versus the current replacement cost of the asset, however the Region can infer information from the relationship between the two. Richard Whitehead asked the Director of Audit to review the possibility of a link so that financial reporting will be easy to comprehend.

b) Audit of the 10 Peel Expansion Project - Wrap Up Phase

Received

Councillor Corbasson raised concern that deficiencies were not clearly identified or followed up on and asked if this is an isolated occurrence. Paul Wallis responded that he cannot comment on other projects, however in September 2009, a follow up process was put in place for the project. Councillor Corbasson requested that the Director of Internal Audit undertake to confirm that such a process is in place for other Region of Peel contracts.

c) Corporate Purchasing Card Program Audit

Presentation by James Macintyre, Director of Purchasing

Received

James Macintyre provided an overview of the Corporate Purchasing Card Program Audit and noted that no purchases of prohibited or inappropriate items were identified. Some of the recommendations to improve and strengthen the purchasing card program include: updating procedures to clearly define roles and responsibilities of the departments, accounts payable and purchasing divisions; developing cardholder supervisor training; and purchasing cardholder reconciliation and approval processes to strengthen controls.

d) Status of 2009 Internal Audit Plan

Presentation by Paul Wallis, Director, Internal Audit

RECOMMENDATION ASC-8-2009:

That the changes to the audit work plan as outlined in the report of the Director, Internal Audit, dated September 18, 2009, titled "Status of 2009 Internal Audit Plan" be approved.

Paul Wallis provided an update of the 2009 Internal Audit Plan noting that fourteen audits were planned for the year. Seven of the audits have been completed, four are in progress and two audits are being recommended for deferral as a result of a staffing shortage.

e) **Audit Report Format Change**

Received

f) **Fleet Operations – MTO Audit Findings**

Received

5. **COMMUNICATIONS - Nil**

6. **IN CAMERA MATTERS - Nil**

7. **OTHER BUSINESS - Nil**

8. **NEXT MEETING**

The next meeting date of the Audit Subcommittee is scheduled for November 12, 2009 at 8:30 a.m., Regional Administrative Headquarters, Council Chamber, 5th floor, 10 Peel Centre Drive, Suite A, Brampton, ON.

Please forward regrets to Helena West, Legislative Specialist, (905) 791-7800, extension 4697 or helena.west@peelregion.ca.

9. **ADJOURNMENT**

The meeting adjourned at 9:05 a.m.