



THE REGIONAL MUNICIPALITY OF PEEL

AUDIT AND RISK COMMITTEE

AGENDA

ARC - 4/2018

DATE: Thursday, September 20, 2018

TIME: 11:00 AM – 12:30 PM

LOCATION: Regional Council Chamber, 5th Floor
Regional Administrative Headquarters
10 Peel Centre Drive, Suite A
Brampton, Ontario

MEMBERS: F. Dale; C. Fonseca; G. Miles; K. Ras; R. Starr; A. Thompson

Chaired by Councillor Fonseca or Vice-Chair Councillor Ras

1. DECLARATIONS OF CONFLICTS OF INTEREST

2. APPROVAL OF AGENDA

3. DELEGATIONS

4. REPORTS

4.1. Deloitte 2018 Audit Service Plan (For information)

4.2. Status of the 2018 Internal Audit Risk Based Work Plan (For information)

4.3. Ontario Works Audit (For information)

Presentation by Stella Danos-Papaconstantinou, Director, Community Access, Thomas Yoon, Director, Integrated Business Support, and Jennifer Weinman, Manager, Enterprise Audit Services

4.4. Use of Employment Agencies Audit (For information)

Presentation by Shaifa Kanji, Director, Client Delivery, Patricia Caza, Director, Procurement and Lynn Guo, Senior Internal Auditor, Enterprise Audit Services

4.5. Purchasing Card Usage Audit (For information)

Presentation by Patricia Caza, Director, Procurement and Jennifer Weinman, Manager, Enterprise Audit Services

4.6. Human Resources Contractor Safety Program Update (For information)

5. **COMMUNICATIONS**

6. **IN CAMERA MATTERS**

7. **OTHER BUSINESS**

8. **NEXT MEETING**

To be Determined.

9. **ADJOURNMENT**



For Information

DATE: September 4, 2018

REPORT TITLE: **DELOITTE 2018 AUDIT SERVICE PLAN**

FROM: Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer
Stephanie Nagel, Treasurer, Peel Housing Corporation

OBJECTIVE

To present the 2018 Audit Service Plan prepared by the Region's external auditors, Deloitte for the upcoming audit of the fiscal year ending December 31, 2018.

REPORT HIGHLIGHTS

- The attached 2018 Deloitte Audit Service Plan has been prepared by the external auditors, Deloitte for the upcoming audit of the Region of Peel and of Peel Housing Corporation, for the fiscal year ending December 31, 2018.
- The audit plan provides detailed information regarding the audit key elements, audit scope, audit approach and communication requirements to the Audit and Risk Committee.
- There are no major changes from the 2017 external audit plan.

DISCUSSION

Regional Council on June 23, 2016 approved the appointment of Deloitte LLP as the external auditors for fiscal years 2016 to 2020. The Peel Housing Corporation 2018 Annual Meeting of the Shareholder approved the appointment of Deloitte LLP as the Corporation's Auditors for fiscal year 2018, on June 28, 2018. Deloitte has been the external auditors for both the Region and Peel Housing Corporation for the past eight years. The audit for fiscal 2018 for both the Region of Peel and Peel Housing Corporation will commence in the fall. Deloitte has prepared the attached audit planning report to provide the Audit and Risk Committee with the external audit approach, audit scope, materiality, audit risks and communication requirements. The audit approach is similar to the one presented last year.

There are new accounting standards becoming effective this year, impacting the 2018 financial statements. Appendix 4 of the attached report provides further information. Accounting staff are currently working through the changes and are preparing for this. It is expected that the 2018 consolidated financial statements for the Region of Peel and the 2018 financial statements for Peel Housing Corporation will be presented to the Audit and Risk Committee on May 2, 2019.

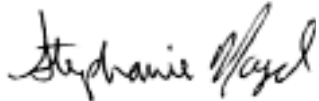
DELOITTE 2018 AUDIT SERVICE PLAN

CONCLUSION

The 2018 external audit is expected to proceed as per the 2018 Audit Service Plan, as prepared by Deloitte, the external auditors for both the Region of Peel and Peel Housing Corporation.



Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer



Stephanie Nagel, Treasurer, Peel Housing Corporation

Approved for Submission:



D. Szwarc, Chief Administrative Officer

APPENDICES

Appendix I – Regional Municipality of Peel and Peel Housing Corporation 2018 Audit Service Plan

For further information regarding this report, please contact Stephanie Nagel extension 7105, stephanie.nagel@peelregion.ca.

Authored By: Monique Hynes



Regional Municipality of Peel and Peel Housing Corporation

2018 Audit service plan

For the year ending December 31, 2018
Presented to the Audit and Risk Committee
September 20, 2018



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August 3, 2018

Private and confidential

To the Members of the Audit and Risk Committee
Regional Municipality of Peel
10 Peel Centre Drive
Brampton ON L6T 4B9

2018 Audit service plan

Dear Audit and Risk Committee Members,

We are pleased to provide you with our audit service plan for the Regional Municipality of Peel ("the Region") and Peel Housing Corporation ("PHC") for the year ending December 31, 2018. This document describes the key features of our plan including our audit scope and approach, our planned communications with you, and our team.

Our audit will include:

- Consolidated financial statements of the Region as at, and for the year ending, December 31, 2018, prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS")
- Financial statements of PHC as at, and for the year ending, December 31, 2018, prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS")
- Financial statements of the Regional Municipality of Peel Trust Funds (the "Trust Funds") as at, and for the year ending, December 31, 2018, and
- Financial statements of the Regional Municipality of Peel Debt Retirement and Sinking Funds (the "Debt Retirement and Sinking Funds") as at, and for the year ending, December 31, 2018.

herein after, collectively referred to as the "financial statements".

Our commitment to you is straightforward: we will provide you with outstanding professional services delivered by an experienced and dedicated team of specialists. Our professionals will continue providing you with best practices and insights to face the increasingly complex array of issues and challenges encountered by companies like the Region and PHC.

We look forward to discussing our audit service plan with you and answering any questions you may have.

Yours truly,

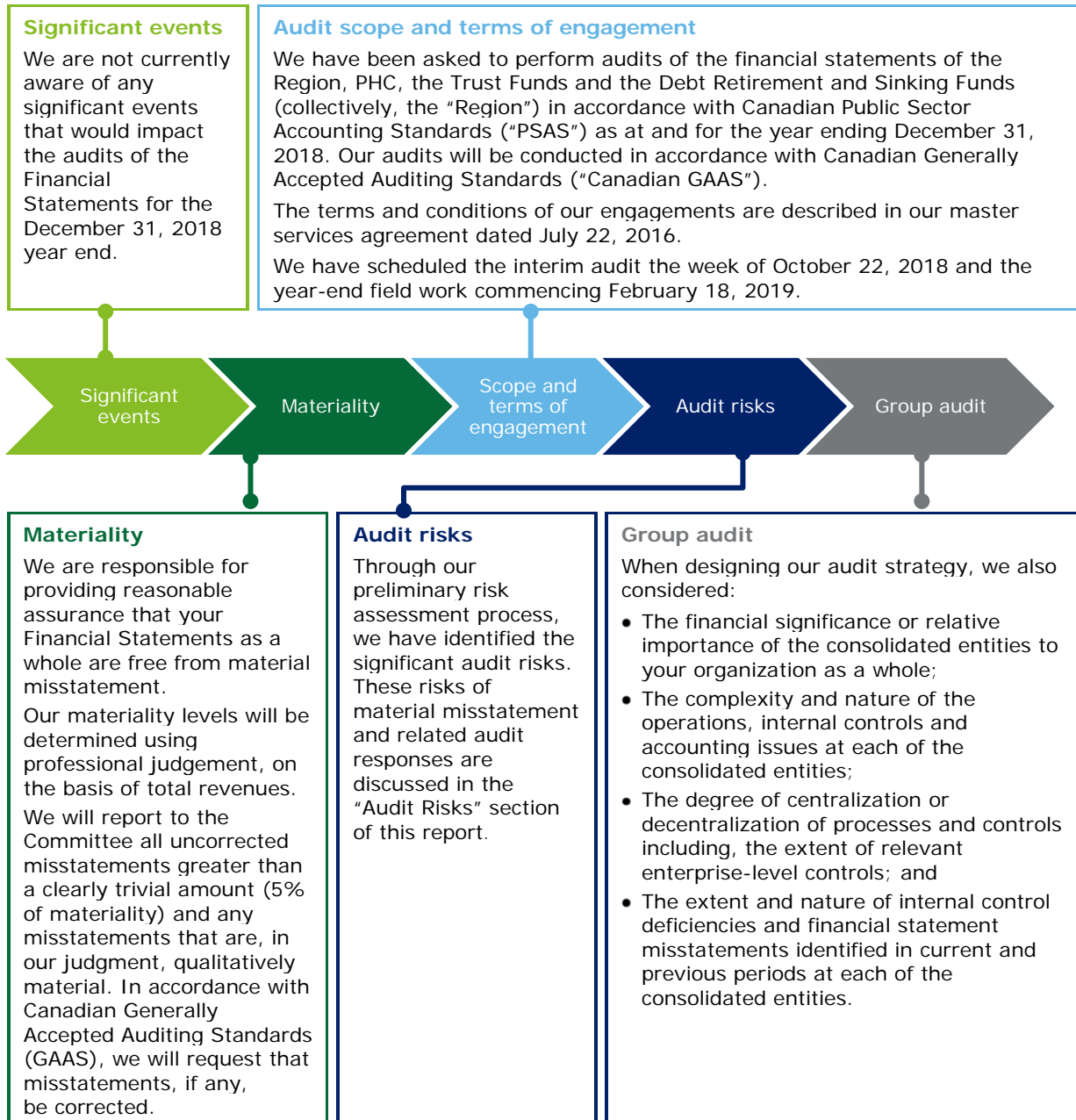
A handwritten signature in black ink that reads "Deloitte LLP".

Chartered Professional Accountants
Licensed Public Accountants

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Our audits explained



Fraud risk

We will develop our audit strategy to address the assessed risks of material misstatement due to fraud. Determining this strategy will involve:

1. Asking those involved in the financial reporting process about inappropriate or unusual activity.
2. Testing a sample of journal entries throughout the period as well as adjustments made at the end of the reporting period.
3. Identifying and obtaining an understanding of the business rationale for significant or unusual transactions that are outside the normal course of business.
4. Evaluating whether your accounting policies may be indicative of fraudulent financial reporting resulting from management's effort to manage results.
5. Evaluating whether the judgements and decisions related to management estimates indicate a possible bias.
6. Incorporating an element of unpredictability in selecting our audit procedures.

We will also ask the Committee for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting the Region and their role in the oversight of management's antifraud programs.

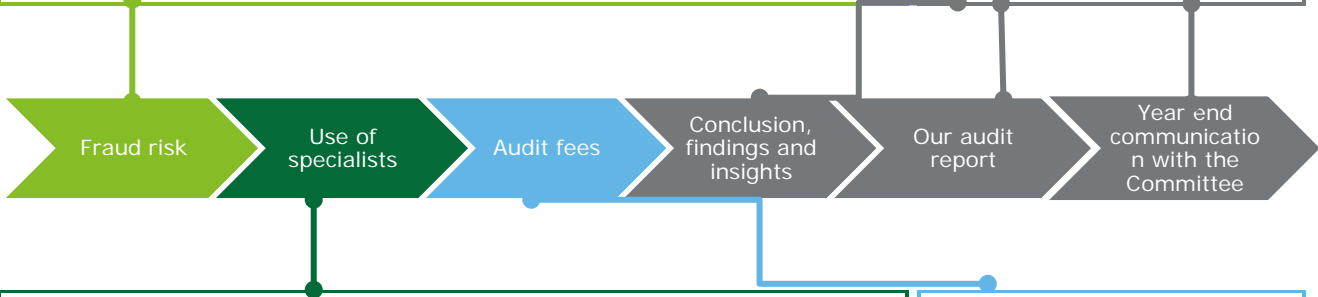
If we suspect fraud involving management, we will immediately inform the Committee of our suspicions and discuss the nature, timing, and extent of audit procedures necessary to complete the audits.

Complete engagement reporting

Under GAAS, we are required to communicate certain matters to the Committee. The primary reports and formal communications through which we will address these matters are:

- This Audit Service Plan
- Year End Communication, and
- Our Independent auditor's reports on the Financial Statements.

Further details on communication requirements can be found in Appendix 2.



Use of specialists

Our audit team is supported with online resources as well as practice and national office specialists who assist our team when dealing with more complex, technical accounting, auditing and reporting issues.

We intend to use the work of the Region's actuary in their determination of the Region's post-employment benefits. We will review and test any data and assumptions used, ensure the disclosure in the financial statements is adequate, and that the actuary is in good standing with the Canadian Institute of Actuaries.

We also intend to use the work of the Region's specialist to determine the valuation of the Region's post closure landfill liability and liability for contaminated sites determined in accordance with PSAS 3260.

Audit fees

Our fees are based on the scope of service as outlined in our proposal for audit services dated May 19, 2016.

Audit risks

During our risk assessment, we identified some areas of audit risk that will require special audit consideration. These risks, together with our planned responses, are described below.

The following tables set out certain areas of audit risk that we identified during our preliminary planning activities, including our proposed response to each risk. Our planned audit response is based on our assessment of the likelihood of a risk's occurrence, the significance should a misstatement occur, our determination of materiality and our prior knowledge of the Region.

Region of Peel

Revenue and deferred revenue amounts*

Audit risk

Canadian Auditing Standards include the presumption of a fraud risk involving improper revenue recognition.

Our proposed audit response

- Substantive testing to determine if restricted contributions (i.e., development charges, gas tax, conditional grants, etc.) have been recognized as revenue in the appropriate period.

Year-end cut-off

Audit risk

Determine if cut-off of revenues and expenses is appropriate.

Our proposed audit response

- Substantive testing on accounts payable, accrued liabilities, deferred revenue and accounts receivable, and
- Test disbursements subsequent to year-end.

Adoption of new accounting standards

Audit risk

Determine if balances and disclosures are appropriate and in accordance newly adopted Public Sector Accounting Standards.

Our proposed audit response

- Review management's process of identifying related parties, and review management's analysis of related party transactions and balances and determine if they are recorded in accordance with PS 2200.
- Determine if Assets are properly recorded and disclosed in accordance with PS 3210.
- Review management's process of identifying Contingent assets and Contractual rights and determine if they are properly disclosed in accordance with PS 3320 and 3380.

Tangible capital assets

Audit risk

Appropriate accounting and disclosure.

Our proposed audit response

- Test assumptions used in determining completeness, valuation, recording and cut-off of 2018 additions and disposals, and
- Testing of calculations of amortization.

Year-end accruals and other estimates (including salaries, employee future benefits, landfill closure and post-closure liability, contaminated sites, and allowance for doubtful accounts)

Audit risk

Estimates requiring management judgments and assumptions.

Our proposed audit response

- Obtain documentation on management's control over accounting estimates and assess risk
- Review and assess the consistency of major assumptions used to develop significant accounting estimates
- Compare actual historical experience to models employed in such calculations
- Obtain calculations from experts for accruals such as employee future benefit liability and landfill liability, and assess assumptions and data used to prepare the report, and
- Review actual outcome of prior year estimates.

Management override of controls*

Audit risk

Management override of controls is a presumed area of risk in a financial statement audit due to management's ability to override controls that otherwise appear to be operating effectively.

Our proposed audit response

- Our audit tests the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements
- We will obtain an understanding of the business rationale for significant transactions that we become aware of that are outside of the normal course of business, or that otherwise appear to be unusual given our understanding of the Region and its environment
- We will review accounting estimates for bias and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement
- In addition, experienced Deloitte personnel will be assigned to the testing and review of journal entries and areas of estimates, and
- Professional skepticism will be maintained throughout the audit.

Peel Housing Corporation

Tenant and other receivables/revenue*

Audit risk

Canadian Auditing Standards include the presumption of a fraud risk involving improper revenue recognition. Valuation of tenant and other receivables.

Our proposed audit response

- Review aging reports and estimate allowance for doubtful tenant receivables for reasonableness
- Confirm subsidies received from the Service Manager, and
- Perform detail testing of tenant and other receivables and related revenue.

Tangible capital assets

Audit risk

Appropriate accounting and disclosure.

Our proposed audit response

- Substantive testing of capital asset additions and disposals, and
 - Testing of calculations of amortization.
-

Long-term debt

Audit risk

Appropriate accounting and disclosure.

Our proposed audit response

- Confirm long-term debt balances, and
 - Recalculate interest.
-

*These areas have been identified as areas of significant risk.

We will inform you of any significant changes to the areas of audit risk discussed above and the reasons for those changes as part of our year end communication, or earlier if deemed necessary.

Appendix 1 – Audit approach

Deloitte's audit approach is a systematic methodology that enables us to tailor our audit scope and plan to address the unique issues facing the Region.

The following steps are not necessarily sequential nor are they mutually exclusive. For example, once we have developed our audit plan and the audits are being performed, we may become aware of a risk that was not identified during the planning phase. Based on that new information, we would reassess our planning activities and adjust the audit plan accordingly.

1. Initial planning

The Deloitte audit approach begins with an extensive planning process that includes:

- Assessing your current business and operating conditions
- Understanding the composition and structure of your business and organization
- Understanding your accounting processes and internal controls
- Understanding your information technology systems
- Identifying potential engagement risks
- Planning the scope and timing of internal control and substantive testing that take into account the specific identified engagement risks

2. Assessing and responding to engagement risk

Our Audit approach combines an ongoing identification of risks with the flexibility to adjust our approach when additional risks are identified. Since these risks may impact our audit objectives, we consider materiality in our planning to focus on those risks that could be significant to your financial reporting.

Consideration of the risk of fraud

When we identify a misstatement or control deficiency, we consider whether it may be indicative of fraud and what the implications of fraud and significant error are in relation to other aspects of the audits, particularly the reliability of management representations.

In determining our audit strategy to address the assessed risks of material misstatement due to fraud, we will:

- Assign and supervise personnel, taking into account the knowledge, skill and ability of individuals with significant engagement responsibilities and our assessment of the risks of material misstatement due to fraud for the engagement.
- Evaluate whether the Region's selection and application of accounting policies, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings.
- Incorporate an element of unpredictability when selecting the nature, timing and extent of our audit procedures.

We will inquire directly of the Audit and Risk Committee regarding:

- Its views about the risk of fraud
- Whether it has knowledge of any actual or suspected fraud affecting the Region, and

- The role it exercises in the oversight of fraud risk assessment and the establishment of mitigating controls.

We will also inquire if the Audit and Risk Committee is aware of tips or complaints regarding the Region's financial reporting and, if so, the Audit and Risk Committee's responses to such tips and complaints and whether it is aware of matters relevant to the audits, including, but not limited to, violations or possible violations of laws or regulations.

If we suspect fraud involving management, we will communicate these suspicions to the Audit and Risk Committee and discuss the nature, timing, and extent of audit procedures necessary to complete the audits.

Information technology

An important part of our audit planning process involves gaining an understanding of:

1. The importance of the computer environment relative to the risks to financial reporting
2. The way in which that environment supports the control procedures we intend to rely on when conducting our audits, and
3. The computer-based information that supports our substantive procedures.

The objective of our review of computer controls is to identify potential areas of risk and assess the relevance, reliability, accuracy and completeness of the data produced by the systems. We also assess the operating effectiveness of the computer environment and determine the reliability of the financial information used to generate the financial statements. To accomplish this, we gain an up-to-date understanding of your organization's computer processing environment and our understanding of the relevant general computer controls. We then conduct tests to support our conclusion on the operating effectiveness of controls considered relevant to the audits.

3. Developing and executing the audit plan

The performance of an audit includes evaluating the design and determining the implementation of internal controls relevant to the audits, testing the operational effectiveness of the controls we intend to rely on, and performing substantive audit procedures.

Audit procedures

The timing of our audit procedures is dependent upon a number of factors including the need to coordinate with management for the provision of supporting analysis and other documentation. Generally, we perform our audit procedures to allow us sufficient time to identify significant issues early, thereby allowing more time for analysis and resolution.

Tests of controls

As part of our audits, we will review and evaluate certain aspects of the systems of internal control over financial reporting to the extent we consider necessary in accordance with Canadian GAAS. The main objective of our review is to enable us to determine the nature, extent and timing of our audit tests and establish the degree of reliance that we can place on selected controls. An audit of the financial statements is not designed to determine whether internal controls were adequate for management's purposes or to provide assurance on the design or operational effectiveness of internal control over financial reporting.

The extent to which deficiencies in internal control may be identified through an audit of financial statements is influenced by a variety of factors including our assessment of materiality, our preliminary assessment of the risks of material misstatement, our audit approach, and the nature, timing and extent of the auditing procedures that we conduct. Accordingly, we gain only a limited understanding of controls as a result of the procedures that we conduct during an audit of financial statements.

We will inform the Audit and Risk Committee and management of any significant deficiencies that are identified in the course of conducting the audits.

Substantive audit procedures

Our substantive audit procedures consist of a tailored combination of analytical procedures and detailed tests of transactions and balances. These procedures take into account the results of our controls tests and are designed to enable us to obtain reasonable assurance that the financial statements are free from material misstatements. To obtain this assurance, misstatements that we identify while performing substantive auditing procedures will be considered in relation to the financial statements as a whole. Any misstatements that we identify, other than those that are clearly trivial (the clearly trivial threshold has been set at 5% of materiality), will be reported to management and the Audit and Risk Committee. In accordance with Canadian GAAS, we will request that misstatements be corrected.

4. Reporting and assessing performance

Perform post-engagement activities

We will analyze the results of the audit procedures performed throughout the year and, prior to rendering our report, we will conclude whether:

- The scope of the audits were sufficient to support our opinion, and
- The misstatements identified during the audits do not result in the financial statements being materially misstated.

Independence

We have developed important safeguards and procedures to protect our independence and objectivity. If, during the year, we identify a breach of independence, we will communicate it to you in writing. Our communication will describe the significance of the breach, including its nature and duration, the action taken or proposed to be taken, and our conclusion as to whether or not the action will satisfactorily address the consequences of the breach and have any impact on our ability to serve as independent auditor to the Region.

We are independent of the Region and we will reconfirm our independence in our final report to the Audit and Risk Committee.

Appendix 2 – Communication requirements

Required communication	Reference
Audit Service Plan	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS ¹ 260.14
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audits b. Significant risks, including fraud risks c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk, and d. Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audits 	CAS 260.15
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27
Enquiries of those charged with governance	
4. How those charged with governance exercise oversight over management's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	CAS 240.20
5. Any known suspected or alleged fraud affecting the Region	CAS 240.21
6. Whether the Region is in compliance with laws and regulations	CAS 250.14
Year-end communication	
7. Fraud or possible fraud identified through the audit process	CAS 240.40-.42
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.
9. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.
10. Matters related to going concern	CAS 570.23
11. Management judgments and accounting estimates	CAS 260.16 a.
12. Significant difficulties, if any, encountered during the audits	CAS 260.16 b.
13. Material written communications between management and us, including management representation letters	CAS 260.16 c.
14. Other matters that are significant to the oversight of the financial reporting process	CAS 260.16d.
15. Modifications to our Independent Auditor's Reports	CAS 260.A18
16. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	CAS 260.A19

¹ CAS: Canadian Auditing Standards – CAS are issued by the Auditing and Assurance Standards Board of CPA Canada

Required communication	Reference
17. Significant matters discussed with management	CAS 260.A.19
18. Matters involving non-compliance with laws and regulations that come to our attention	CAS 250.23
19. Significant deficiencies in internal control, if any, identified by us in the conduct of the audits of the financial statements	CAS 265
20. Uncorrected misstatements and disclosure items	CAS 450.12-13
21. Any significant matters arising during the audits in connection with the Region's related parties	CAS 550.27

Appendix 3 – New and revised Auditor Reporting Standards

On April 11, 2017, the Canadian Auditing and Assurance Standards Board (AASB) approved new and revised Canadian Auditing Standards (CASs) on auditor reporting which will be effective for audits of financial statements for periods ending on or after December 15, 2018 with earlier application permitted.

While a number of CASs were impacted, the most significant changes made relate to the following four standards:

- Revised CAS 700, Forming an Opinion and Reporting on Financial Statements
- New CAS 701, Communicating Key Audit Matters in the Independent Auditor’s Report
- Revised CAS 720, The Auditor’s Responsibilities Relating to Other Information
- Revised CAS 570, Going Concern

These CASs are based on the International Auditing and Assurance Standards Board’s (IAASB) new and revised International Standards on Auditing (ISAs) that were effective for periods ending on or after December 15, 2016 however there are two significant differences:

4. Deferral of the effective date for application by one year, and
5. Amending the scope of reporting Key Audit Matters so that such matters are communicated in the auditor’s report only when required by law or regulation or the auditor decides to do so.

The following sets out the enhancements made to the new Independent Auditor’s Report

Changes to the Auditor’s Report and new reporting requirements

For all audits

Auditor’s opinion	<ul style="list-style-type: none"> • auditor’s opinion moved from the end of the auditor’s report to the very beginning
Auditor’s independence and ethics	<ul style="list-style-type: none"> • an explicit statement of the auditor’s independence in accordance with relevant ethical requirements and the auditor’s fulfillment of other ethical responsibilities
Going concern	<ul style="list-style-type: none"> • a separate section under the heading “Material Uncertainty Related to Going Concern”, when a material uncertainty exists related to an entity’s ability to continue as a going concern and is adequately disclosed in the financial statements
Other information	<ul style="list-style-type: none"> • a separate section under the heading “Other Information”, when an entity prepares other information (e.g., an annual report) containing or accompanying the entity’s financial statements and auditor’s report thereon, to explain management’s and the auditor’s responsibilities for the other information and the auditor’s conclusion from reading and considering the other information
Roles and Responsibilities	<ul style="list-style-type: none"> • an enhanced description of management’s responsibilities for assessing the entity’s ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate • identification of those charged with governance (when applicable) and their responsibility for the oversight of the financial reporting process

Changes to the Auditor's Report and new reporting requirements

For all audits

- an enhanced description of the auditor's responsibilities to conclude on the appropriateness of management's use of the going concern basis of accounting
- an enhanced description of the auditor's responsibilities in an audit of group financial statements

For audits of entities where the auditor decides or law or regulation requires reporting of key audit matters

- Key audit matters**
- a separate section under the heading "Key Audit Matters", when law or regulation requires the auditor, or the auditor decides, to communicate key audit matters in the auditor's report to those charged with governance that, in the auditor's judgment, were of most significance to the audit
-

We will work to provide Regional Municipality of Peel and Peel Housing Corporation and the Audit and Risk Committee with guidance on the implications of the new and revised auditor reporting standards.

Benefits

- **Transparency** into the audit and discussions between the auditor, those charged with governance, and management
- **More robust** discussions between auditors and those charged with governance
- **Enhanced** communications between all stakeholders including regulators
- **Relevant** auditor's reports and insights into the complexities of the entity
- **Comparability** across industries and audit firms
- **Improved** audit and financial reporting quality

Highlights of Changes to Performance Requirements with respect to Going Concern

Auditors are now required to evaluate the adequacy of management's disclosure in the financial statements for "close calls" related to going concern (i.e., when events or conditions were identified that may cast significant doubt of an entity's ability to continue as a going concern but due to management's plans, the auditor concluded that no material uncertainty exists).

The following are some considerations for those charged with governance to start discussing with their auditor.

Implementation considerations for those charged with governance

- **KAMs:** If applicable, this commentary in the audit report will have a significant impact on the timing of:
 - Meetings between the auditor and the Audit and Risk Committee to discuss risks, which will form the basis of KAMs
 - Meetings with the auditor to identify, discuss and challenge KAMs as early as possible, and
 - Review of the auditor's report as the process will likely be more rigorous.
- **Going Concern:** Increased auditor focus may heighten your scrutiny of management's process for assessing the entity's ability to continue as a going concern and the relevance and completeness of related disclosures in the financial statements, particularly for "close calls".

- **Other information:** Discuss with the auditor which documents will be within the scope of “other information”, evaluate timeframes for drafting and finalizing these documents, and assess documents for consistency with financial statements to ensure factually correct and reasonable.

Resources

The AASB is currently working with CPA Canada and other groups to drive the effective implementation of the new standards through a broad range of communications, tools and guidance materials for stakeholders. CPA Canada has issued a number of [Audit and Assurance alerts](#) in June 2017 discussing key features of the changes and will be releasing a web portal devoted exclusively to the topic of implementing auditor reporting. Webinars and other publications will be issued throughout the remainder of the year, including an update expected in December incorporating the changes to the new auditor’s report into a revised reporting guide, “[Reporting Implications of New Auditing and Accounting Standards.](#)”

- Keep abreast of the Canadian project at www.cfr.deloitte.ca.
- Information relating to the new and revised CASs and conforming amendments to other CASs can be found on the [AASB website](#).

We encourage you to engage your engagement partner or any other member of the Deloitte Team with any questions or enquiries related to the new and revised auditor reporting standards.

Appendix 4 – New and Revised Accounting Standards

The following is a summary of certain new standards, amendments and proposals that will become effective in 2017 and beyond.

To review all recent amendments that will impact your organization in the foreseeable future, we invite you to review our revamped [Standard-setting Activities Digest](#), included in our Centre for Financial Reporting (www.cfr.deloitte.ca).

Public Sector Accounting Standards

Topic	Description	Effective Date
Section PS 3430 - Restructuring transactions	This new section was published by PSAB in June 2015. It establishes standards on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.	This section applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.
Section PS 1201 - Financial statement presentation	This new section was published by PSAB in June 2011. It revises and replaces Section PS 1200 Financial statement presentation. It establishes general reporting principles and standards for the disclosure of information in government financial statements.	This Section is effective when Sections PS 2601 and PS 3450 are adopted.
Section PS 2601 Foreign currency translation.	This section revises and replaces PS 2600, Foreign currency translation. It establishes standards on how to account for and report transactions that are denominated in a foreign currency in government financial statements.	This Section is effective for fiscal years beginning on or after April 1, 2019. For government organizations that applied the CPA Canada Handbook – Accounting prior to adopting the CPA Canada Public Sector Accounting Handbook, this Section applies to fiscal years beginning on or after April 1, 2012. Governments and government organizations would also adopt Section PS 3450 at the same time. Earlier adoption is permitted.
Section PS 3041 - Portfolio investments	This section revises and replaces PS 3040, Portfolio investments. It establishes standards on how to account for and report portfolio investments in government financial statements.	This Section is effective when Sections PS 1201, PS 2601 and PS 3450 are adopted.
Section PS 3450 - Financial instruments	This new section was published by PSAB in June 2011. It establishes standards on how to account for and report all types of financial instruments including derivatives.	This section is effective for fiscal years beginning on or after April 1, 2019. For government organizations that applied the CPA Canada Handbook – Accounting prior to adopting the CPA Canada Public Sector Accounting Handbook, this Section applies to fiscal years beginning on or after April 1, 2012. Governments and government organizations would also adopt PS 2601 at the same time. Earlier adoption is permitted.

Appendix 5 – Deloitte resources a click away

At Deloitte, we are devoted to excellence in the provision of professional services and advice, always focused on client service. We have developed a series of resources, which contain relevant and timely information.

<input type="checkbox"/> Canada's Best Managed Companies (www.bestmanagedcompanies.ca)	<ul style="list-style-type: none"> • Directors • CEO/CFO 	<p>The Canada's Best Managed Companies designation symbolizes Canadian corporate success: companies focused on their core vision, creating stakeholder value and excelling in the global economy.</p>
<input type="checkbox"/> Centre for financial reporting (www.cfr.deloitte.ca)	<ul style="list-style-type: none"> • Directors • CEO/CFO • Controller • Financial reporting team 	<p>Web site designed by Deloitte to provide the most comprehensive information on the web about financial reporting frameworks used in Canada.</p>
<input type="checkbox"/> Financial Reporting Insights (www.iasplus.com/fri)	<ul style="list-style-type: none"> • CFO • Controller • Financial reporting team 	<p>Monthly electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.</p>
<input type="checkbox"/> On the board's agenda	<ul style="list-style-type: none"> • Directors • CEO/CFO 	<p>Bi-monthly publication examining a key topic in detail, including the perspectives of a Deloitte professional with deep expertise in the subject matter as well as the views of an experienced external director.</p>
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For Information

DATE: September 11, 2018

REPORT TITLE: **STATUS OF THE 2018 INTERNAL AUDIT RISK BASED WORK PLAN**

FROM: Michelle Morris, Director, Enterprise Risk and Audit Services

OBJECTIVE

To inform the Audit and Risk Committee on the status of the approved 2018 Internal Audit Risk Based Work Plan.

REPORT HIGHLIGHTS

- Enterprise Audit Services has completed or is in the process of completing seven audit projects as scheduled.
- The 2018 Internal Audit Risk Based Work Plan was approved at the February 1, 2018 Audit and Risk Committee and no changes have been made to the plan.
- The Committee is responsible for reviewing the status of the approved work plan as required by the Audit and Risk Committee Charter.

DISCUSSION**1. Background**

The Audit and Risk Committee Charter states that the Committee is responsible to approve the risk based internal audit plan recommended by the Director of Internal Audit and to review the status of the approved plan.

The 2018 Internal Audit Risk Based Work Plan (Work Plan) was approved at the February 1, 2018 Audit and Risk Committee meeting. Enterprise Audit Services noted the Work Plan as presented may need to be amended based on risks and issues that occur during the year. Outlined in the report of the Director, Enterprise Risk and Audit Services, dated August 13, 2018, titled "Status of 2018 Internal Audit Risk Based Work Plan" is the current status of the approved plan. No changes have been made to the 2018 Work Plan.

2. Revised Plan Highlights and Comments

Enterprise Audit Services has completed or is in the process of completing seven audit projects from the 2018 Internal Audit Work Plan as scheduled. It is anticipated that the remainder of the projects will commence before year end.

STATUS OF THE 2018 INTERNAL AUDIT RISK BASED WORK PLAN

CONCLUSION

Enterprise Audit Services will continue to update the Audit and Risk Committee each year with the status of the approved Work Plan including any significant changes that occur which is in accordance with the *International Standards for the Professional Practice of Internal Auditing*.



Michelle Morris, Director, Enterprise Risk and Audit Services

Approved for Submission:



D. Szwarc, Chief Administrative Officer

APPENDICES

Appendix I - Status of 2018 Work Plan Projects

For further information regarding this report, please contact Michelle Morris, Director, Enterprise Risk and Audit Services, extension 4247, michelle.morris@peelregion.ca.

Authored By: Michelle Morris, Director, Enterprise Risk and Audit Services

**APPENDIX I
STATUS OF THE 2018 INTERNAL AUDIT RISK BASED WORK PLAN**

- 1 -

Table 1 – Status of 2018 Work Plan Projects

Strategic Plan Area of Focus	Audit Project	Status
Living (People's lives are improved in their time of need)	Ontario Works	Completed (results will be presented at the September 20, 2018 ARC meeting)
Thriving (Communities are integrated, safe and complete)	Peel Living Property Management	In progress (currently conducting fieldwork, results of the audit will be presented at the February 7, 2019 Audit and Risk Committee)
	Roads Operations – Asphalt	In progress (currently in the planning stage, results of the audit will be presented at the April 4, 2019 Audit and Risk Committee)
	Traffic Signal Operations and Maintenance Service Agreements	To commence in 2018
Leading (Government is future-oriented and accountable)	Use of Employment Agencies	Completed (results will be presented at the September 20, 2018 ARC meeting)
	P-Card Usage	Completed (results will be presented at the September 20, 2018 ARC meeting)
	Sewer Inspection/Collection Progress	In progress (currently conducting fieldwork, results of the audit will be presented at the February 7, 2019 Audit and Risk Committee)
	Water/Wastewater Billing System	In progress (currently in the planning stage, results of the audit will be presented at the April 4, 2019 Audit and Risk Committee)
	Energy Management	To commence in 2018
	Development Charge Collections	To commence in 2018
	Construction Project Management – Real Property Assets Management	To commence in 2018

Table 2 – Update on Other Audit Related Services

Strategic Plan Area of Focus	Audit Service	Status
Leading	Consulting – Internal Controls in selected Human Services Programs.	Completed 2 of the 3 consulting assignments. The third project will commence in 2018.

For Information

DATE: September 11, 2018

REPORT TITLE: **ONTARIO WORKS AUDIT**

FROM: Michelle Morris, Director, Enterprise Risk and Audit Services

OBJECTIVE

To inform the Audit and Risk Committee of the results of the Ontario Works Audit.

REPORT HIGHLIGHTS

- Effective controls are in place to help ensure compliance to Ontario Works legislation and directives.
- There are opportunities to improve controls in the following areas:
 - Strengthen fraud prevention controls
 - Ensure consistency in communication to staff to improve effectiveness of program changes
 - Strengthen procedures and processes for challenged funding decisions
 - Re-introduce safety training in the Core Training program
 - Measure effectiveness of client funding and staff training
- Management has developed action plans and time lines to address the risks identified in this report.

DISCUSSION
1. Background

The 2017 Audit Risk Based Work Plan included an audit of the Ontario Works Program. Management had already initiated other reviews of the effectiveness of the administration of the Ontario Works program; as such Senior Management requested an expanded scope for the audit to review the process for handling challenged funding decisions.

The Ontario Works Program is a provincially funded program intended to help individuals to become self-sufficient by offering financial and employment assistance. The Community Access division within Human Services administers this provincial program. In 2017, the province provided funding of approximately \$198 million for programming, employment supports and income benefits for Ontario Works clients and \$22 million to offset the staffing, administrative and internal support costs.

ONTARIO WORKS AUDIT

As of February 2018, the Region of Peel had an Ontario Works caseload of approximately 19,000 cases managed by 186 caseworkers and supervisors. Ontario Works reception centres are located at both the 10 Peel Centre Drive and 7120 Hurontario Street offices. Caseworkers also provide services at 10 emergency shelters. Staff work in Client Services teams consisting of caseworkers and a supervisor.

In November 2014, the province introduced a new social assistance management system. The time and resources required to adapt to the new system impacted the administration of the Ontario Works program into 2017. Any time there is a major change, such as a new computer system, risk to achieving objectives increases. The audit focused on determining if management had the processes in place to mitigate risks to achieving case management objectives in the new environment.

2. Audit Objective

The objective of this audit was to determine if management has effective controls to manage the risks to administering the Ontario Works Program. The assessment included:

- Compliance to the Ontario Works legislation and directives and *Occupational Health & Safety Act*
- Effectiveness of controls to prevent fraud
- Effectiveness of communication processes between management and staff to inform change and staff development

This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

3. Audit Observations and Management Response

Effective controls are in place to help ensure compliance to Ontario Works legislation and directives. There are opportunities to improve controls related to changes to client files, communication processes, procedures and processes, safety training and training effectiveness.

Fraud Prevention Controls

Establishing fraud preventive and detective controls around the closure and reactivation of client files, helps to ensure client files are not altered to redirect funds to unauthorized bank accounts. Fieldwork identified potential gaps in this area. The audit focused on assessment of management processes and control only; it did not test for client file fraud but controls to prevent fraud.

There is a need to establish processes to strengthen fraud prevention to help ensure:

- Changes to client bank account numbers are legitimate
- Completed client files are closed
- Reactivation of a closed client file is legitimate
- Supporting documentation that could be used to verify changes to client bank account information is retained

ONTARIO WORKS AUDIT

There is a high risk that fraudulent redirection of payments may occur if staff do not close a completed client file or if staff reactivate a closed client file and change the bank account information. Risks classified as high may cause substantial delays or prevention of objectives and outcomes.

Management Response

The Director, Community Access will ensure semi-annual reporting is developed and reviewed to monitor the closing and reactivating of client files. Further, the Director, will ensure a process is developed outlining required supporting documentation for changes to bank account information. These actions are expected to be completed by December 2018.

Communication

Measuring the effectiveness of programs and services includes collecting and analyzing outcomes, diagnosing gaps and implementing corrective measures as well as identifying and celebrating successes. Part of effective communication is providing feedback to staff on changes and assessing the consistency of messaging.

There is an absence of effective processes to facilitate communication between caseworkers and management in the following areas:

- Thematic results of audits of case files
- Impacts of staff input on changes to program and service delivery
- Consistency of messaging across the Client Services teams

Without a process to help ensure effective communication, there is a medium risk that program and service delivery may be ineffective and inefficient and there may be inconsistencies across the Client Services teams. Mitigating this risk acts as a detective and preventative control. Risks classified as medium indicate there may be moderate delays in the achievement of outcomes and objectives.

Management Response

The Director, Community Access will ensure processes are developed to standardize communication across the division, provide feedback to staff on how their input was incorporated into service delivery changes and enhance communication related to the division compliance audit process and audit findings. These processes are expected to be in place by December 2018.

Procedures and Processes

Procedures and processes help ensure clear expectations are in place to guide the activities of the organization toward the achievement of its objectives. There are opportunities to strengthen procedures and processes for the administration of the Ontario Works program in the following areas.

- Establish a process to measure the effectiveness of funding in relation to successful client employment outcomes

ONTARIO WORKS AUDIT

- Establish a process for the review of challenged funding decisions
- Update the procedures for document retention and changes to client bank accounts

Without clear, documented procedures and processes in these areas, there is a medium risk that client outcomes, as well as staff morale, may be negatively impacted. Mitigating this risk acts as a detective, preventative and directive control.

Management Response

The Director, Community Access will ensure processes are developed to monitor the effectiveness of employment programs and the associated funding and standardize documentation of funding decisions and informal client appeal reviews. Further, the director will ensure procedures related to bank account information changes and documentation retention are updated. These actions are expected to be completed by March 2019.

Safety Procedures

Community Access has a number of procedures addressing safety in the workplace. Caseworkers receive training in procedures during the six weeks of the Core Training program for new staff. The Core Training included training related to the division's safety procedures in the past but does not currently include safety training. There is an opportunity to re-introduce the safety training syllabus that was part of the core training in the past.

Without comprehensive education for staff on safety procedures, there is a high risk to personal safety should caseworkers find themselves in unsafe situations without the knowledge and skills to protect themselves. Also, the Region of Peel may be found to be non-compliant to the *Occupational Health & Safety Act*. Mitigating this risk acts as a preventative control.

Management Response

The Director, Community Access will ensure an updated training module related to safety procedures is incorporated into the core training and reviewed regularly. The training module is expected to be completed by December 2018.

Training Effectiveness

Training courses, such as crisis intervention, professional boundary evaluation and managing compassion fatigue are provided to caseworkers on a regular basis. It is important to measure the effectiveness of the training.

A new comprehensive training evaluation process was introduced in February 2017. It has not been fully rolled out. Currently, evaluations are taking place sporadically. There is a need to ensure the full roll out of the comprehensive evaluation process takes place.

Without full roll out of the training effectiveness program, there is a high risk that the training delivered may not successfully develop or transfer the intended knowledge and skills to staff, thereby impacting caseworker's ability to meet client needs. Mitigating this risk acts as a detective and corrective control.

ONTARIO WORKS AUDIT

Management Response

The Director, Integrated Business Support will ensure the new training evaluation process is fully rolled out and is a mandatory following all training delivery. This is expected to be completed by December 2018.

CONCLUSION

Effective controls are in place to help ensure compliance to Ontario Works legislation and directives. Management has the opportunity to introduce additional controls or increase the effectiveness of the controls in the areas of fraud prevention, communication, procedures and processes, and training.

Management has developed action plans to address the audit observations noted in this report. Enterprise Risk and Audit Services has reviewed the action plans and feels comfortable they will address the risks noted during the audit. Enterprise Risk and Audit Services will follow up on the status of management action plan implementation and report back to the Audit and Risk Committee as part of the annual follow up process in 2019.



Michelle Morris, Director, Enterprise Risk and Audit Services

Approved for Submission:

D. Szwarc, Chief Administrative Officer

For further information regarding this report, please contact Michelle Morris, Director, Enterprise Risk and Audit Services, extension 4247, michelle.morris@peelregion.ca.

Authored By: Jennifer Weinman, CPA, CA, CIA, CRMA, Barb Morris, CPA, CMA, CIA, CFE

Ontario Works Audit

Stella Danos-Papaconstantinou
Director, Community Access
Thomas Yoon
Director, Integrated Business Support
Jennifer Weinman
Manager, Enterprise Audit Services



- **Effective controls are in place to ensure compliance with Ontario Works legislation**
- **Opportunities to improve controls:**
 - **fraud prevention**
 - **communication effectiveness**
 - **procedures and processes**
 - **safety training**
 - **training effectiveness**

Agenda

- Audit Objective
- Audit Observations
- Management Response
- Conclusion
- Questions

Audit Objective

Determine if management has effective controls to manage the risks to administering the Ontario Works Program

Fraud Prevention

Controls in place to:

- Verify closed client files
- Confirm bank account changes
- Confirm reactivation of closed client files
- Add supporting documentation



Communication

Effective processes to facilitate communication of information

- Compliance audit results
- Impacts of staff input on change
- Consistent messaging



Procedures and Processes

Strengthened procedures and processes to:

- Measure funding effectiveness
- Review challenged funding decisions
- Document retention and bank account changes



Safety Procedures

- Reintroduce safety training
- Update training module
- Review regularly



Training Effectiveness

- Roll out training effectiveness program
- Mandatory for all training



- Effective controls in place to ensure compliance to Ontario Works legislation
- Opportunity to strengthen controls for fraud prevention and increase the effectiveness of communication, staff training, procedures and processes
- Management has developed action plans that addresses the risks identified in the audit observations

Ontario Works Audit

Thank You and Questions

Stella Danos-Papaconstantinou

Director, Community Access

Thomas Yoon

Director, Integrated Business Support

Jennifer Weinman

Manager, Enterprise Audit Services



For Information

DATE: September 11, 2018

REPORT TITLE: **USE OF EMPLOYMENT AGENCIES AUDIT**

FROM: Michelle Morris, Director, Enterprise Risk and Audit Services

OBJECTIVE

To inform the Audit and Risk Committee of the results of the Use of Employment Agencies Audit.

REPORT HIGHLIGHTS

- Long Term Care has effective controls in place to manage the contracts with the employment agencies that supply short-term professional services related to resident care.
- There are three observations related to managing the professional services employment agency contract roster and temporary staff within the Digital and Information Services department. There is a need to:
 - Provide oversight to manage the contract and employment agencies in accordance with the contract
 - Provide oversight to temporary staff to help ensure they deliver in accordance with the contract
 - Develop corporate policies and procedures that set standards and expectations on managing contract with professional services employment agencies and temporary staff
- Management has developed management action plans to address the risks identified in the audit.

DISCUSSION

1. Background

The Use of Employment Agencies Audit was included in the Internal Audit 2017 Risk-based Work Plan.

The Region uses employment agencies to secure the services of professionals on a temporary basis. Professional services are occupations that require specialized training; some require license or certification to practice, for example, nurses and IT solution experts. Two main areas within the Region purchase short-term professional services (temporary staff) from professional services employment agencies (Agencies). These two areas are the Digital and Information Services department and the Long Term Care division.

USE OF EMPLOYMENT AGENCIES AUDIT

Digital and Information Services

The Digital and Information Services department finds some of the most recent and advanced skills in the information and technology field are not always readily available among staff. According to management, it has been difficult to attract the right talents due to the competitiveness of the industry and the specialized skill requirements. In order to meet the needs of the operations, the Region purchases short-term professional services in this field.

A contract roster that consisted of ten Agencies was established in 2013 through a Request for Proposal. An agreement was signed between the Region and the ten Agencies. The contract roster was expanded through a Request for Proposal process to include 19 Agencies in 2017.

The contract roster is managed by the Digital and Information Services department. Other departments such as Finance and Human Services also use the contract roster.

From September 2013 to December 2017, a total of approximately \$8 million was spent on purchasing services from these Agencies with a total of 58 temporary staff having worked at the Region under the Agreement. In 2017, approximately \$1.9 million was spent on purchasing services.

Long Term Care

Long Term Care centres operate on a 24 hour seven day a week basis. During the holiday season and staff vacation or emergency leave time, there is a need for temporary nursing personnel to ensure residents' needs are met. Further, some services such as registered dietician's services are required by legislation; however, the needs do not justify a full time position. In these cases, services are purchased from Agencies through a Purchase of Services Agreement. In accordance with the agreement, Agencies supply the required professional services to all five Long Term Care centres across the Region on an as-needed basis.

In 2017, the total cost to purchase professional services at Long Term Care centres was approximately \$117,000.

2. Audit Objectives and Scope

The objectives of the audit were to assess the effectiveness of the governance and controls in place over the procurement and use of professional services employment agencies to fill staffing gaps. The audit specifically looked at controls related to:

- Establishing procurement contracts with employment agencies for professional services
- Oversight and monitoring of the work performed by the professional agency staff
- Monitoring of the employment agencies' compliance with their procurement contracts

The audit focused on agency invoicing from July 2016 to August 2017.

This audit was conducted in conformance with the International Standards for the *Professional Practice of Internal Auditing*.

USE OF EMPLOYMENT AGENCIES AUDIT

3. Audit Observations and Management Response

Long Term Care has implemented effective controls to manage the contracts with professional services employment agencies that have Purchase of Services Agreements with the Region.

Digital & Information Services does not have effective contract owner oversight and controls to manage the contract roster and temporary staff within the Digital and Information Services department. Opportunities for improvement are specifically as follows:

Responsibility to Oversight Contract and Agencies

The owner of the contract has a responsibility to ensure the contract and Agencies are managed in accordance with the terms and conditions of the contract, as well as in accordance with related policies and procedures, both corporate and departmental.

There is a need to establish effective controls and oversight by the contract owner to help ensure:

- Internal resources are considered prior to sourcing from Agencies
- All vendors on the contract roster have an opportunity to present their candidates through a competitive interviewing process in order to select the most suitable candidate for each assignment
- The credentials of temporary staff are validated
- There are valid and documented reasons when paying temporary staff at a rate higher than the rate in the contract
- Agencies are paid in accordance with the contract
- Legal implication is assessed when extending temporary staff's assignments beyond the initial term

When the contract owner's oversight is absent, the risk level is high for both the risk of financial loss to the Region and the risk of legal dispute when temporary staff contracts are extended beyond the initial term and multiple times. There is further a medium risk of reputational damage to the Region as the Region may not have managed the contract prudently. Mitigating these risks act as a preventative and detective control. Risks ranked as high may cause substantial delays or prevention of objectives and outcomes.

Management Response

The Director, Client Delivery will establish processes and controls to manage the contract and Agencies. The processes will address the control weakness noted in the audit. All Digital and Information Services staff who oversee personnel will be provided with training and reinforcement of the policies, processes and controls. This action plan is expected to be completed by December 2018.

Responsibility to Oversight Temporary Staff

The owner of the contract also has a responsibility to ensure there is proper oversight of temporary staff in accordance with the contract.

USE OF EMPLOYMENT AGENCIES AUDIT

There is a need to ensure

- Temporary staff is supervised appropriately to achieve their deliverables
- Temporary staff time worked at the Region is systematically tracked and Agencies are paid based on the time their staff worked
- Temporary staff timesheets are approved and invoices verified by the staff who has direct knowledge of their work at the Region
- Temporary staff's performance on each assignment is reviewed and documented to inform the decision making when extension of their assignment is required. This information should further inform the decision making when renewing contractual relationship with the Agencies
- A formal process is in place to remove temporary staff access to all Regional systems as soon as they finish their assignments

When controls and oversight of temporary staff are absent, there is a medium risk that the objective of acquiring temporary staff may not be achieved; there is further a medium risk that poorly performing Agencies and their temporary staff may continue to provide services to the Region. Mitigating these risks act as a preventative and detective control. Risks classified as medium indicate there may be moderate delays in the achievement of outcomes and objectives.

Management Response

The Director, Client Delivery will ensure there are processes and controls in place to manage temporary staff in accordance with the contract and to achieve the objectives of acquiring temporary staff. This action plan is anticipated to be completed by December 2018.

Corporate Policies and Procedures

Corporate policies and procedures are guidelines that set standards and expectations for an organization; they also set standards for management when developing their departmental and divisional policies and procedures.

There is a need to develop corporate policies and procedures that specifically relate to managing contract rosters and temporary staff at the Region. Further, there is need to provide tools and training for staff who manage these temporary staff day to day work at the Region.

Without corporate policies and procedures as guidance, there is a medium risk that contract roster and temporary staff may not be managed in accordance with the standards and the expectations of the Region and this could result in increased financial cost and reputational damage to the Region. Mitigating this risk acts as a preventative and directive control.

Management Response

The Director, Procurement, working with the Human Resources and Legal Services divisions, will develop policies that provide guidance at a corporate level for managing agency contract rosters and temporary staff. The corporate policies will be developed to

USE OF EMPLOYMENT AGENCIES AUDIT

include the control points noted in the observation. Training and educational tools will also be developed, targeted to Regional staff responsible for the management of rosters and the selection and oversight of temporary personnel, to ensure a proper understanding of expectations, roles and responsibilities. Corporate policies and training tools are anticipated to be completed by December 2018.

CONCLUSION

Long Term Care has implemented effective controls in managing their contracts with employment agencies. There is a need to implement effective oversight and controls to manage the agency contract roster and temporary staff within the Digital and Information Services department.

Management has developed their management action plans to address the risks noted in the audit. Enterprise Audit Services has reviewed the action plans and is satisfied that the action plans will address the risk identified through the audit. Enterprise Audit will follow up on the status of the management action plan implementation and report back to the Audit and Risk Committee as part of the annual follow up process.



Michelle Morris, Director, Enterprise Risk and Audit Services

Approved for Submission:



D. Szwarc, Chief Administrative Officer

For further information regarding this report, please contact Michelle Morris, Director, Enterprise Risk and Audit Services, extension 4247, michelle.morris@peelregion.ca.

Authored By: Jennifer Weinman, CPA, CA, CIA, CRMA, Lynn Guo, MBA, CMA (US), CIA

Use of Employment Agencies Audit

Shaifa Kanji,
Director, Client Delivery

Patricia Caza,
Director, Procurement

Lynn Guo,
Senior Internal Auditor, Enterprise Audit Services



- **Long Term Care has implemented effective controls for management of contracts with employment agencies**
- **Need to strengthen oversight of the contract, agencies and temporary staff in the Digital and Information Services department**

Agenda

- Audit Objective
- Audit Observations
- Management Response
- Conclusion
- Questions

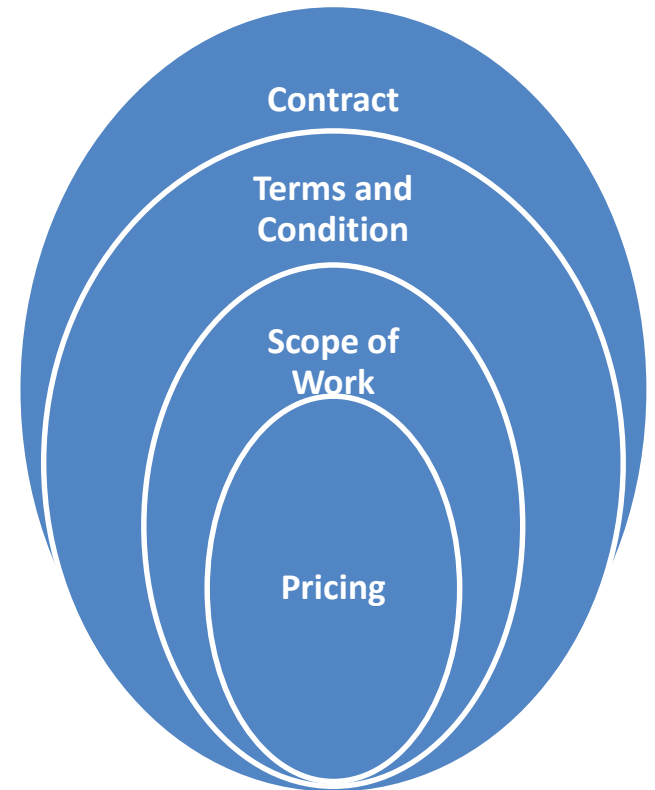
Audit Objective

Assess the effectiveness of governance and controls over the procurement and use of professional services employment agencies

Responsibility to Oversight Contract and Agencies

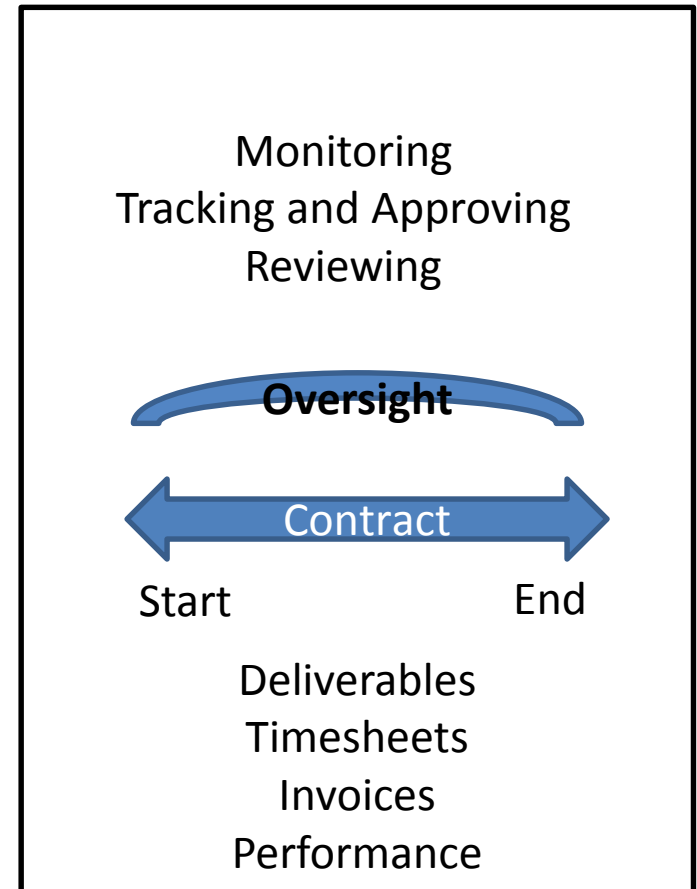
Controls established to manage

- Competitive selection processes
- Legal implication assessment
- Policy and procedure awareness



Responsibility to Oversight Temporary Staff

- Deliverables achieved
- Time accurately tracked
- Invoice approved
- Performance reviewed



Corporate Policies and Procedures

- Standards and expectations set
- Training provided
- Tools available



- Long Term Care has effective controls in place
- Strengthen controls and oversight for managing the contract, agencies and temporary staff in the Digital and Information Services Department
- Management has developed action plans to address the risks identified

Use of Employment Agencies Audit

Thank you and Questions

Shaifa Kanji,
Director, Client Delivery
Patricia Caza,
Director, Procurement
Lynn Guo,
Senior Internal Auditor



For Information

DATE: September 11, 2018

REPORT TITLE: **PURCHASING CARD USAGE AUDIT**

FROM: Michelle Morris, Director, Enterprise Risk and Audit Services

OBJECTIVE

To inform the Audit and Risk Committee of the results of the Purchasing Card Usage audit.

REPORT HIGHLIGHTS

- Management has implemented adequate and effective internal controls, processes and procedures to help mitigate the business risks associated with the management and use of Region of Peel Purchasing cards.
- There are opportunities to formalize a plan for the P-Card program and further strengthen controls to improve efficiency and effectiveness in the following areas:
 - Establish a formalized approach or plan to help ensure P-Card growth objectives are achieved
 - Enhance the oversight and monitoring processes as well as audit procedures conducted by Accounts Payable and Purchasing
 - Provide continuing education and reinforcement of Cardholder and Approver responsibilities
- Management has developed action plans to drive better results and efficiency.

DISCUSSION
1. Background

The Internal Audit Risk Based Work Plan 2018 includes an audit of the Purchasing Card (P-Card) Program.

The P-Card is the preferred method for payment of goods and services required for Regional business, where it is efficient, economical and operationally advantageous to do so. The use of the P-Card is promoted where appropriate due to its many benefits; most notably the cost saving, reduced procurement cycle times, and customized rebate program for annual spend of \$1 million and greater from the P-Card provider US Bank. Management has indicated that in 2017 the P-Card program saved the Region an estimated \$47 of administrative costs per transaction which in turn generated approximately \$1,857,000 in cost avoidance.

PURCHASING CARD USAGE AUDIT

For the year 2017, there were 39,511 transactions for an amount of \$11,587,022 as illustrated below:

Agency	# of transactions	Total spend
Region of Peel (excluding Peel Regional Police)	29,793	\$10,474,661
Peel Housing Corporation	306	\$105,711
Ambulance Fuel Cards	9,412	\$1,006,650
Total	39,511	\$11,587,022

Approximate rebates earned from the US Bank from the above listed P-Card activity were as follows:

Region of Peel	2016	2017
Rebates	\$124,233	\$133,398

Management has in place several policies and procedures that govern and provide the authorizations required by employees when conducting Regional business using P-Cards.

2. Audit Objective

The objective of the audit is to evaluate the adequacy and effectiveness of the internal controls, processes and procedures in place to mitigate the business risks associated with the management and use of the Region of Peel Purchasing Cards.

The audit scope included samples of 2017 P-Card transactions for Region of Peel, Peel Housing Corporation and the Ambulance Fuel cards to assess:

- Strategy in place to advance growth of the P-Card Program
- Purchases are appropriately made, approved and comply with P-Card Policy and Procedures
- Submission of monthly reconciliation statements
- Adequacy of audit coverage by Purchasing and Accounts Payable
- Program Management oversight of P-Card activity
- P-Card cancellation process

This audit was conducted in accordance with *the International Standards for Professional Practices of Internal Auditing*.

3. Audit Observations and Management Response

Management has implemented adequate and effective internal controls, processes and procedures to help mitigate the business risks associated with the management and use of Region of Peel Purchasing cards. There are opportunities to formalize a plan for the P-Card program and further strengthen controls to improve efficiency and effectiveness in the following areas:

PURCHASING CARD USAGE AUDIT**Formalized Plan for P-Card Growth Objective**

Management has an objective to grow the use of the P-Card to realize cost avoidance and gain efficiencies. There is a need to develop a formalized approach or plan to grow the P-Card program to realize additional cost savings and rebates with established performance criteria so that the growth of the program can be successfully measured.

There may be the risk that growth of the P-Card program to achieve increased cost savings and rebates is restricted when there is no formal approach or technology in place to help ensure the growth objective is achieved.

Management Response

The Director, Procurement will develop a formalized plan to address and measure program growth which is expected to be completed by December 2019. The new Enterprise Resource Planning system has an expected implementation date of 2022 for Finance and Procurement related functionality. At that time, staff will determine if growth can be further augmented by leveraging the functionality of the new system and if so, staff will revise the growth plan accordingly.

Oversight and Monitoring ProcessesProgram Monitoring and Reporting

Data analytic tools help facilitate the development of user-friendly dashboards that can be tailored to managements' needs and allow for continuous monitoring of P-Card operations (for example high use P-Cardholders, spikes in spending patterns by P-Cardholders, repetitive buying patterns of purchases near the micro-purchase threshold, repetitive lost or stolen cards). These dashboards provide increased transparency and opportunity for continuous and standardized monitoring of P-Card transactions.

There are currently no data analytics to allow for the month-to-month review of purchases that can be analyzed by directors and the Executive Leadership Team for trends in an effective manner to draw conclusions and identify patterns. The use of data analytics will help increase oversight and provide trends to inform improvements to internal controls over the P-Card transactions. Further, analysis of lost or stolen P-Card details helps identify areas where appropriate safeguarding of P-Cards is absent.

With the current format of the actual monthly and quarterly reports submitted to the directors and the Executive Leadership Team being very detailed oriented, there is the risk of insufficient oversight and monitoring exercised over the P-Card transactions to prevent and detect misuse and improve management of the P-Card program.

Management Response

The Director of Procurement will develop an enhanced reporting program that incorporates business intelligence, to provide management with greater insight and trend analysis of P-Card activity for their program areas. This enhanced reporting functionality will be incorporated into the scope requirements of the future Enterprise Resource Planning technology, which is expected to be implemented by December 2022. In the interim, staff will continue to produce monthly and quarterly reports and will investigate further

PURCHASING CARD USAGE AUDIT

opportunities to develop additional data analytics and trend analysis in respect of P-Card activity. Support for this analysis will be provided by the Specialist, Business Intelligence pending the 2019 budget approval for this position. This position was approved by Council in 2016 as a two year pilot to support Procurement with performance measurement, reporting and trend analysis of procurement activity.

P-Card Program Audits

To help ensure that the audits conducted by Accounts Payable and Purchasing of the P-Card transactions are adequately covering areas with greatest exposure to significant risk, an established risk-based plan should be developed to determine the objectives and scope of the audits. Development of a risk-based audit procedure checklist, scoping mechanism (detection, compliance, deterrence, and coverage of high risk areas) and testing methodologies to frame the audits should be in place to minimize the risks of insufficient audit coverage and potential non-compliance of high risk P-Card users on a department and division level.

Management Response

The Director of Procurement together with the Director of Corporate Finance will review the audits currently being conducted in order to determine the value of continuing; to determine audits to be performed going forward and to establish and document the methodology, criteria, roles, responsibilities and procedures for these audits. These actions are expected to be completed by July 2019.

Education and Reinforcement of P-Card ResponsibilitiesIncidents of Lost/Stolen Cards

During the review there were incidents of lost vehicle cards attached to Peel Regional Paramedics services and the Region of Peel P-Cards. There was no evidence of fraudulent activity associated with the lost/stolen cards.

Reconciliation of P-Card Statements

During the review reconciliations for Peel Regional Paramedic Services were not submitted in a timely manner in addition receipts were missing from the Fuel Log envelopes.

There is a need to provide education and to reinforce the responsibilities related to being a P-Cardholder and a P-Card Approver. Specifically there is a need to strengthen awareness of responsibilities related to:

- Ensuring P-Cards are not shared with other Regional employees
- Making secure online purchases
- Safeguarding P-Cards details (cardholder name, card number, expiry dates and security codes)
- Safeguarding P-Cards at all times to reduce the risk of the card being lost or stolen
- Ensuring all receipts and invoices are included with the reconciliation statement
- Providing details for meal purchases
- Ensuring printed name and signature of P-Card Approver or designate is clearly noted on the reconciliation statement

PURCHASING CARD USAGE AUDIT

- Cancelling P-Cards in a timely manner when P-Cardholders are leaving employment at the Region
- Ensuring lost and stolen cards are cancelled in a timely manner

Without ongoing education and reinforcement of P-Card responsibilities there are risks of misuse of the P-Cards and undetected fraudulent purchases causing financial loss and reputational damage to the Region.

Management Response

The Director of Procurement and Director and Chief of Paramedics will develop and document a process for continuing education and reinforcement of key messages related to staff P-Card responsibilities. These actions are expected to be completed by July 2019. With a view to automation of workflow and increased functionality of the new Enterprise Resource Planning system to be implemented in the future, educational needs will be reviewed to address the changes.

CONCLUSION

There are adequate and effective internal controls, processes and procedures in place to help mitigate the business risks associated with the management and use of Region of Peel Purchasing cards. There are opportunities to formalize a plan for the P-Card program and further strengthen controls to improve efficiency and effectiveness.

Management has developed action plans to address the audit observations noted in this report. Enterprise Risk and Audit Services has reviewed the action plans and feels comfortable the action plans will address the risks noted during the audit. Enterprise Risk and Audit Services will follow up on the status of management action plan implementation and report back to the Audit and Risk Committee as part of the annual follow up process in 2019.



Michelle Morris, Director, Enterprise Risk and Audit Services

Approved for Submission:


D. Szwarc, Chief Administrative Officer

For further information regarding this report, please contact Michelle Morris, Director, Enterprise Risk and Audit Services, extension 4247, michelle.morris@peelregion.ca.

Authored By: Jennifer Weinman, CPA, CA, CIA, CRMA, Jayrani Bungsy, FCCA, Carol Lyons, CPA, CGA, CIA

Purchasing Card Audit

Patricia Caza

Director, Procurement

Jennifer Weinman

Manager, Enterprise Audit Services



Agenda

- Audit Objective
- Audit Observations
- Management Response
- Conclusion
- Questions

Audit Objective

Evaluate the adequacy and effectiveness of the internal controls, processes and procedures in place to mitigate the business risks associated with the management and use of the Region of Peel Purchasing Cards

Formalized Plan for P-Card Growth Objective



Formalized
Growth Plan



Establish Metrics

Program Monitoring and Reporting

Enhanced data analytics for senior leadership to provide monitoring, oversight and trend analysis
Consider factors such as:

- high use P-Cardholders
- spikes in spending patterns
- repetitive buying patterns
- repetitive lost or stolen cards
- spend by merchant

P-Card Program Audits



Development of a risk-based audit procedure including:

- checklists
- scoping mechanism (detection, compliance, deterrence, coverage of high risk areas)
- roles and responsibilities
- testing methodologies

Education and Reinforcement of P-Card Responsibilities



Education to P-Cardholders and Approvers to reinforce responsibilities related to:

- Online purchases
- Safeguarding cards
- Providing receipts
- Timely cancellation of cards

- Controls are adequate and effective
- Opportunities to formalize a plan for the P-Card program and further strengthen controls to improve efficiency and effectiveness
- Management has developed action plans that addresses the risks identified in the audit observations

Purchasing Card Audit

Thank you and Questions

Patricia Caza

Director, Procurement

Jennifer Weinman

Manager, Enterprise Audit Services



For Information

DATE: September 12, 2018

REPORT TITLE: **HUMAN RESOURCES CONTRACTOR SAFETY PROGRAM UPDATE**

FROM: Mary Killeavy, Acting Commissioner of Corporate Services

OBJECTIVE

To provide an update to the Audit and Risk Committee on the status of preventative risk mitigation strategies related to contractors working on Regional sites.

REPORT HIGHLIGHTS

- In 2016, a risk assessment of the Human Resources Contractor Safety Program (Program) was undertaken to address safety concerns for contractors who perform work at Regional sites.
- Human Resources is continuing to work with Regional staff to implement preventative mitigation strategies to help ensure that the risks are appropriately managed.
- Mitigation strategies successfully piloted in the Real Property and Asset Management (RPAM) Division will be extended to construction projects in other areas of the Region.

DISCUSSION

1. Background

Due to the nature of work and duties performed, there is a high risk of accidents in the construction sector.

“In 2016, about 30 per cent of all work-related traumatic fatalities and occupational disease fatality claims for schedule 1 workplaces occurred in the construction sector, yet the sector comprises only 6.7 per cent of all provincial employment.”¹

Under the *Occupational Health & Safety Act*, general contractors are responsible for protecting the health and safety of their workers. The Region’s role as owner is limited to overseeing the work of the General Contractor.

In 2016, Enterprise Risk & Audit staff undertook an operational risk assessment, in partnership with Human Resources, to address safety concerns related to contractors who

¹ Johnson, Linda. “Critical injuries in Ontario’s construction sector continue to rise despite government initiatives, fatalities and injuries not letting up.” Canadian Occupational Safety Magazine, 02/01/2018

HUMAN RESOURCES CONTRACTOR SAFETY PROGRAM UPDATE

perform work on Regional property. The focus was on preventative action the Region could take in their overseer role. No fraudulent activity was noted in this audit.

On February 2, 2017, the results of the risk assessment and recommended preventative risk mitigation strategies were presented to the Audit and Risk Committee. Staff was asked to provide an update on this work by the end of December 2018.

2. Findings Contractor Safety Risk Assessment Update

The Contractor risk assessment update is attached as Appendix I to this report. It outlines Regional staff's progress during the Phase I pilot in RPAM Division.

Successful mitigation strategies implemented during the pilot include:

- Comprehensive contractor safety program;
- Updated vendor evaluation form has section to record vendor's health and safety performance; and
- Practical training and tools for project managers to optimize their capacity to prevent and manage health and safety issues when overseeing contractor projects.

As part of Phase II for this work, mitigation strategies successfully implemented in RPAM will now be extended to construction projects Region-wide. In addition, Regional staff will develop a process for tracking and reporting on its Region-wide contractor accident experience. Both of these efforts will help to ensure continuous improvement.

CONCLUSION

Contractor safety is an integral element of the Region's health & safety management system. As such, Human Resources will continue to partner with Regional staff to implement the mitigation strategies outlined in the contractor risk assessment update attached to this report as Appendix I.



Mary Killeavy, Acting Commissioner of Corporate Services

Approved for Submission:



D. Szwarc, Chief Administrative Officer

APPENDICES

Appendix I – Contractor Risk Assessment Update

For further information regarding this report, please contact Jeff Sawchuk, Acting Director of Human Resources, extension 4566, jeff.sawchuk@peelregion.ca.

Authored By: Debra Wight, Manager of Health, Safety and Wellness

APPENDIX I
HUMAN RESOURCES CONTRACTOR SAFETY PROGRAM UPDATE

Enterprise Risk & Audit Division
Integrated Risk Management



Risk Assessment: Human Resources Contractor Safety Program
Objectives: To reduce the likelihood and severity of possible injury to individuals due to contractor activities on Region of Peel property.
 To increase compliance with the Occupational Health & Safety Act and Regulations.
 To increase safety maturity level at the Region of Peel.

The following significant risks may materially and adversely affect contractor safety objectives. Additional risks and uncertainties identified and not deemed significant may also impair contractor safety objectives.

Risks	Risk Type	Preventative Mitigation Strategy	Owner	2018 Status
<p>Limited knowledge and understanding of safety practices of both the contractors and Regional staff may expose the Region to safety violations resulting in:</p> <ul style="list-style-type: none"> Non-compliance to legislation Personal injury 	Governance	<ul style="list-style-type: none"> Engage stakeholders to develop RACI chart (Responsible, Accountable, Consulted and Informed) to clarifying roles and responsibilities. Develop governance model to clearly articulate responsibilities of contractors and the Region. Explore options to develop contractors' capacity for safety through Certificate of Recognition (COR) 	<p>Director, Human Resources</p> <p>Target Completion: December 2017</p>	<p>In progress.</p> <p>Due to reprioritization, RACI Chart and Governance Model deferred to 2019 workplan.</p> <p>COR review completed.</p>
<p>Absence of corporate standards for safety requirements for operational contracts may result in omissions to safety standards and legislated requirements.</p> <p>Consequences may include:</p> <ul style="list-style-type: none"> Personal injury as a result of workers negligence, lack of training, inadequate equipment repair and maintenance Lack of or inadequate safety plan Lack of or inadequate monitoring and oversight by General Contractors to their sub-contractors 	Procurement /Contract Management	<ul style="list-style-type: none"> Develop corporate standards for safety requirements for operational contracts. Develop guidelines for operational contracts based on nature of work and risk exposure. Work with Procurement Division to incorporate safety guidelines in operational contracts. 	<p>Director, Human Resources</p> <p>Target Completion: December 2018</p>	<p>In Progress. On track for completion by target date.</p> <p>Corporate standards and guidelines being finalized.</p> <p>Safety Guidelines have been incorporated into operational contracts.</p>
<p>Vendor performance evaluation based on quality alone and not safety practices as well may result in the re-hire of contractors with poor safety records and incidences.</p>	Procurement /Contract Management	<ul style="list-style-type: none"> Provide guidelines for staff to evaluate contractors' safety practices through the vendor performance evaluation process. Provide training for Project Managers in Contractor evaluation and issues management with respect to safety. 	<p>Director, Human Resources</p> <p>Target Completion: December 2018</p>	<p>Complete</p> <p>Current vendor evaluation form updated to include health and safety. In addition, health and safety is being incorporated into the Region-wide vendor evaluation refresh due to be completed in 2019.</p> <p>Project manager training developed and completed.</p>

**APPENDIX I
HUMAN RESOURCES CONTRACTOR SAFETY PROGRAM UPDATE**

<p>Limited resources for contractor oversight may limit the Region’s ability to oversee safety practices of the contractor and address safety issues as they arise.</p> <p>Note: General Contractors are responsible for workers’ safety while the Region’s role as owner is limited to oversee the work of the General Contractor.</p>	<p>People</p>	<ul style="list-style-type: none"> - Develop practical tools, templates and guides to assist operating staff to focus on projects with higher risk exposure to oversee safety practices. - Include Vendor of Record for Ontario Health and Safety Inspection of Construction Sites. 	<p>Director, Human Resources</p> <p>Target Completion: September 2017</p>	<p>Complete Tools developed and implemented.</p> <p>Note: Vendor of Record not required, as we are able to leverage existing contracts for similar work, if needed.</p>
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