



**THE REGIONAL MUNICIPALITY OF PEEL**

**AUDIT COMMITTEE**

**AGENDA**

**AC - 4/2014**

**DATE:** September 4, 2014

**TIME:** 9:30 AM – 11:00 AM

**LOCATION:** Regional Council Chambers, 5th Floor  
10 Peel Centre Drive, Suite A  
Brampton, ON

**MEMBERS:** C. Fonseca; E. Kolb; J. Sanderson; R. Starr; A. Thompson;  
R. Whitehead

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*Chaired by Councillor R. Whitehead or Vice-Chair Councillor R. Starr*

**1. DECLARATIONS OF CONFLICTS OF INTEREST**

**2. APPROVAL OF AGENDA**

**3. DELEGATIONS**

3.1. **Trevor Ferguson, Partner, Deloitte**, Presenting the 2014 External Audit Plan (See also Reports – Item 4.1)

**4. REPORTS**

4.1. Deloitte 2014 Audit Service Plan (For information) (See also Delegations – Item 3.1)

4.2. Revised 2014 Internal Audit Risk Based Work Plan

4.3. Paramedic Services Overtime and Stand-By Audit (For information)  
Presentation by Peter Dundas, Chief and Director, Paramedic Services; Thomas Yoon, Director, Human Resources; and Joan Appleton, Manager, Internal Audit

**5. COMMUNICATIONS**

**6. IN CAMERA MATTERS**

- 6.1. Vulnerability Assessment (For information) (The Security of the Property of the Municipality or Local Board)  
Presentation by Geovanni Mosquera, Director, ISTS; and Joan Appleton, Manager, Internal Audit
- 6.2. Security Risk Assessment Results (For information) (The Security of the Property of the Municipality or Local Board)  
Presentation by Karla Hale, Director, Service Innovation; and Michelle Morris, Acting Director, Internal Audit

**7. OTHER BUSINESS**

**8. NEXT MEETING**

To Be Determined

**9. ADJOURNMENT**

Attention: Regional Clerk  
Regional Municipality of Peel  
10 Peel Centre Drive, Suite A  
Brampton, ON L6T 4B9  
E-mail: [council@peelregion.ca](mailto:council@peelregion.ca)  
Phone: 905-791-7800 ext. 4582  
Fax: 905-791-1693

|   |                   |
|---|-------------------|
| FOR OFFICE USE ONLY                     |                   |
| Meeting Name:<br><b>Audit Committee</b> |                   |
| Meeting Date YYYY/MM/DD                 | <b>2014/09/04</b> |

Request Date: YYYY/MM/DD **2014/08/12**

|  |                            |           |                              |
|--|----------------------------|-----------|------------------------------|
| Name of Individual(s)  | <b>Mr. Trevor Ferguson</b> |           |                              |
| Position/Title   | <b>Partner</b>             |           |                              |
| Name of Organization   | <b>Deloitte</b>            | Email     | <b>tferguson@deloitte.ca</b> |
| Phone Number   | <b>(416) 643-8282</b>      | Extension | Fax Number                   |
| Name of Individual(s)  | _____                      |           |                              |
| Position/Title   | _____                      |           |                              |
| Name of Organization   | _____                      | Email     | _____                        |
| Phone Number   | _____                      | Extension | Fax Number                   |
| Reason(s) for delegation request (subject matter to be discussed)<br><b>To present the 2014 external audit plan.</b> |                            |           |                              |

I am submitting a formal presentation to accompany my delegation.  Yes  No

I will require the following audio-visual equipment / software for my presentation:  Document Camera / Overhead Projector  LCD Projector  PowerPoint

**\*Note:** Delegates are requested to provide 45 copies of all background material / presentations to the Clerk's Division **seven (7) business days prior** to the meeting date so that it can be included with the agenda package.

**In accordance with Procedure By-law 100-2012:**

**• Delegates appearing before Regional Council or Committee are requested to limit their remarks to 5 minutes and 10 minutes respectively (approximately 5/10 slides).**

Once the above information is received in the Clerk's Division, you will be contacted by Legislative Services staff to confirm your placement on the appropriate agenda. Thank you.

**Notice with Respect to the Collection of Personal Information**  
(Municipal Freedom of Information and Protection of Privacy Act)

Personal information contained on this form is authorized under Section IV-4 of the Region of Peel Procedure By-law 100-2012 for the purpose of contacting individuals and/or organizations requesting an opportunity to appear as a delegation before Regional Council or a Committee of Council. The Delegation Request Form will be published in its entirety with the public agenda. The Procedure By-law is a requirement of Section 238(2) of the *Municipal Act, 2011*, as amended.

Please note that all meetings are open to the public except where permitted to be closed to the public under legislated authority. All Regional Council meetings are audio broadcast via the internet and will be video broadcast on the local cable television network where video files will be posted and available for viewing subsequent to those meetings.

Questions about collection may be directed to the Manager of Legislative Services, 10 Peel Centre Drive, Suite A, 5<sup>th</sup> floor, Brampton, ON L6T 4B9, (905) 791-7800 ext. 4462.



**REPORT**  
**Meeting Date: 2014-09-04**  
**Audit Committee**

**For Information**

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DATE: August 8, 2014

REPORT TITLE: **DELOITTE 2014 AUDIT SERVICE PLAN**

FROM: Stephen VanOfwegen, Chief Financial Officer  
Dave Bingham, Treasurer, Peel Housing Corporation

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**OBJECTIVE**

To present the 2014 Audit Service Plan prepared by the Region's external auditors, Deloitte, for the fiscal year ending December 31, 2014.

**REPORT HIGHLIGHTS**

- The attached 2014 Audit Service Plan has been prepared by the Region's external auditors, Deloitte, for the fiscal year ending December 31, 2014 for both the Region of Peel and the Peel Housing Corporation audits.
- The plan provides information regarding Deloitte's audit approach, audit scope and communication requirements to the Audit Committee.

**DISCUSSION**

The Region of Peel's external auditors, Deloitte were awarded a five-year contract starting with the 2010 audit and the 2014 audit will be the fifth and final year of the contract. Deloitte was also confirmed as the Peel Housing Corporation auditor for 2014 at their Annual General Meeting on June 26, 2014. The 2014 audit fees are in accordance with the approved contract. The audit for the 2014 fiscal year 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 Committee with the external audit approach, audit scope, materiality, audit risks and communication requirements to the Audit Committee.

The 2014 consolidated financial statements for the Region of Peel and the 2014 financial statements for Peel Housing Corporation will be presented to Audit Committee in early May, 2015.

**CONCLUSION**

The 2014 external audit is expected to proceed as per the Audit Service Plan, as presented by Deloitte.



Stephen VanOfwegen, Chief Financial Officer



Dave Bingham, Treasurer, Peel Housing Corporation

**Approved for Submission:**



for

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D. Szwarc, Chief Administrative Officer

c. Muliwa Mwarigha, General Manager, Peel Housing Corporation

**APPENDICES**

Appendix I - Regional Municipality of Peel and Peel Housing Corporation 2014 Audit Service Plan

*For further information regarding this report, please contact Dave Bingham at extension 4292 or via email at [dave.bingham@peelregion.ca](mailto:dave.bingham@peelregion.ca).*

*Authored By: Monique Hynes*



Regional Municipality of Peel  
and Peel Housing Corporation  
2014 Audit service plan

For the year ending December 31, 2014  
For presentation to the Audit Committee  
September 4, 2014

Instilling  
confidence



Deloitte LLP  
5140 Yonge Street  
Suite 1700  
Toronto ON M2N 6L7  
Canada

Tel: 416-601-6150  
Fax: 416-601-6151  
[www.deloitte.ca](http://www.deloitte.ca)

August 1, 2014

**Private and confidential**

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

Dear Audit Committee Members:

**Audit service plan for the year ending December 31, 2014**

We are pleased to present our audit service plan for the Regional Municipality of Peel and Peel Housing Corporation (the "Region") for the year ending December 31, 2014. This plan presents the Deloitte LLP ("Deloitte") audit approach, our audit scope and our planned communications with you.

Our engagement will include an audit of the Region's financial statements (the "Financial Statements") as at and for the year ending December 31, 2014 prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS") and conducted in accordance with Canadian Generally Accepted Auditing Standards ("GAAS").

Our responsibilities under Canadian GAAS are described in more detail in our audit engagement letter dated August 1, 2014.

We are providing this audit service plan to the Regional Council through the Audit Committee on a confidential basis. It is intended solely for the use of the Audit Committee to assist you in discharging your responsibilities with respect to the Financial Statements and is not intended for any other purpose. Accordingly, we disclaim any responsibility to any other party who may rely on it.

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". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants

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## **Appendix**

Appendix – Communication requirements

# Key elements of our audit service plan

The Deloitte audit approach adheres to applicable professional auditing standards and, is risk-based and tailored to address the risks to financial reporting – the audit risks. Our audit approach involves consideration of the following:

## Audit service plan – Key elements

|                    |  |   |
|--------------------|--|---|
| <b>Audit scope</b> | The audit planning and the preliminary risk assessment activities we conduct enable us to set the scope of our audit and to design procedures tailored to that scope.  |   |
| <b>Materiality</b> | <p>We are responsible for providing reasonable assurance that your Financial Statements as a whole are free from material misstatement. Our materiality levels will be determined using professional judgment, on the basis of total revenues.</p> <p>We will report to the Audit Committee all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we will request that misstatements be corrected.</p> |   |
| <b>Audit risks</b> | <b>Region of Peel</b>  |   |
|                    | <b>Areas of audit risk</b>   | <b>Our proposed audit response</b>  |
|                    | <b>Year-end cut-off</b><br>Description: Determine if cut-off of revenues and expenses is appropriate   | Substantive testing on accounts payable, accrued liabilities, deferred revenue and accounts receivable.<br>Test disbursements subsequent to year-end.   |
|                    | <b>Revenue and deferred revenue amounts*</b><br>Description: Revenue recognition   | 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.  |
|                    | <b>Tangible capital assets</b><br>Description: Appropriate accounting and disclosure   | Test assumptions used in determining completeness, valuation, recording and cut-off of 2014 additions and disposals.<br>Testing of calculations of amortization.  |
|                    | <b>Year-end accruals and other estimates (including salaries, employee future benefits, landfill closure and post-closure liability and allowance for doubtful accounts)</b><br>Description: Estimates require management judgments and assumptions  | Obtain documentation on management's control over accounting estimates and assess risk.<br>Review and assess the consistency of major assumptions used to develop significant accounting estimates.<br>Compare actual historical experience to models employed in such calculations.<br>Obtain calculations from experts for accruals such as employee future benefit liability and assess assumptions and data used to prepare the report.<br>Review actual outcome of prior year estimates. |

## Audit service plan – Key elements

| Areas of audit risk  | Our proposed audit response   |
|--|---|
| <p><b>Management override of controls*</b></p> <p>Description: Management is in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively</p> | <p>Our audit tests the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements.</p> <p>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 for the Region, or that otherwise appear to be unusual given our understanding of the Region and its environment. We will review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represented a risk of material misstatement due to fraud.</p> |
| <b>Peel Housing Corporation</b>  |   |
| Areas of audit risk  | Our proposed audit response   |
| <p><b>Tenant and other receivables/revenue*</b></p> <p>Description: Revenue recognition and valuation</p>  | <p>Review aging reports and estimate allowance for doubtful tenant receivables for reasonableness.</p> <p>Confirm subsidies received from the Service Manager.</p> <p>Perform detail testing of tenant and other receivables and related revenue.</p>   |
| <p><b>Tangible capital assets</b></p> <p>Description: Appropriate accounting and disclosure</p>  | <p>Substantive testing of capital asset additions and disposals.</p> <p>Testing of calculations of amortization.</p>  |
| <p><b>Long-term debt</b></p> <p>Description: Appropriate accounting and disclosure</p>   | <p>Confirm long-term debt balances.</p> <p>Recalculate interest.</p>  |

\*Identified as a significant risk.

## Audit service plan – Key elements

|  |  |
|--|--|
| <b>Fraud risk</b>                        | <p>In determining our audit strategy to address the assessed risks of material misstatement due to fraud, we will:</p> <ol style="list-style-type: none"> <li>1. 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.</li> <li>2. Evaluate whether the selection and application of accounting policies by your organization, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings.</li> <li>3. Incorporate an element of unpredictability in the selection of the nature, timing and extent of our audit procedures.</li> </ol> <p>We will inquire directly of the Audit 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 management's antifraud programs.</p> <p>If we suspect fraud involving management, we will communicate these suspicions to the Audit Committee and discuss the nature, timing, and extent of audit procedures necessary to complete the audit.</p> |
| <b>Internal control matters</b>          | <p>We will communicate in writing significant deficiencies in internal control identified during the audit to the Audit Committee on a timely basis.</p>   |
| <b>Use of specialists</b>                | <p>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.</p> <p>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.</p> <p>We also intend to use the work of the Region's valuation specialist to determine the valuation of the Region's post closure landfill liability.</p>  |
| <b>Engagement letter</b>                 | <p>The terms and conditions of our engagement are included in the engagement letter, which is to be signed on behalf of Council and management, and will be provided separately to you.</p>  |
| <b>Complete engagement reporting</b>     | <p>Upon the satisfactory completion of our audit, we will provide you with an audit report on your Financial Statements. We will also provide reports to the Audit Committee to assist you in fulfilling your responsibilities, as required by applicable auditing standards. The Appendix summarizes the required communications between Deloitte and the Audit Committee.</p>  |
| <b>Other matters</b>                     |  |
| <b>Independence</b>                      | <p>We have developed important safeguards and procedures to protect our independence and objectivity. We will report on our independence at the conclusion of our engagement.</p>  |
| <b>Management representations</b>        | <p>We will obtain written and oral representations from management to complement our audit procedures.</p> <p>We will provide the Audit Committee with a copy of the written representations to be provided by management in our final report.</p>   |
| <b>New financial reporting standards</b> | <p>We have reviewed recent PSAS standard setting activities (both finalized and in development) that we believe are particularly relevant to the Region. We do not anticipate that any of the new financial reporting standards will have a significant impact on the Region's financial statements in the current year.</p>   |

# Audit scope

## Designed to obtain reasonable assurance and address the risks of material misstatements

An audit is designed to search for potential misstatements that, individually or collectively, are material. This is done by determining a specific threshold for each engagement and considering other qualitative factors. The threshold amount is also used to evaluate the significance of uncorrected misstatements.

### Materiality

Our overall materiality level is used in our assessment of significant accounts where audit effort is necessary. We will design our work so as to consider material items appropriately and to detect potential adjustments that, individually or in combination with others, would be material to the Financial Statements. In accordance with Canadian GAAS, we will request the correction of any misstatements.

If the amount of uncorrected misstatements detected when conducting our audit exceeds that which we anticipated when we planned the audit, we may need to revise the scope of our audit. Should such a situation arise, we will discuss the matter with management on a timely basis in order to agree upon the appropriate course of action.

### Risk assessment

We compile information from a variety of sources, including discussions with management and the Audit Committee, to identify risks to the Region's financial reporting process that may require attention. Our preliminary risk assessment took into account:

- Key business developments and transactions (internal and external)
- Current business, regulatory and accounting pronouncements and developments
- Key management strategies and business plans
- Review of internal audit reports
- Prior years' audit results, and
- Areas of significant judgment and risk.

Our audit planning activities and our preliminary identification of audit risks enables us to set the scope of our audit and to design audit procedures tailored to the identified risks to financial reporting. The table on page 1 sets out the more significant risks to financial reporting that we have identified, with management's support, during our preliminary planning activities. The table also includes 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.

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The results of our audit planning and risk assessment drive the scope and timing of the auditing procedures.

# Appendix – Communication requirements

| Required communication   | Timing of communication    |                            |
|--|----------------------------|----------------------------|
| 1. Our responsibilities under Canadian GAAS  | Audit plan presentation    |                            |
| 2. Our audit strategy and scope  | Audit plan presentation    |                            |
| 3. Matters related to going concern  | Audit results presentation |                            |
| 4. Management judgments and accounting estimates   | Audit results presentation |                            |
| 5. Audit adjustments   | Audit results presentation |                            |
| 6. Uncorrected misstatements and disclosure items  | Audit results presentation |                            |
| 7. Significant accounting policies   | Audit results presentation |                            |
| 8. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period   | Audit results presentation |                            |
| 9. Our views about significant qualitative aspects of the Region's accounting practices, including accounting policies, accounting estimates and financial statement disclosures | Audit results presentation |                            |
| 10. Our responsibility for other information in documents containing audited Financial Statements, any procedures performed, and the results                                     | Audit results presentation |                            |
| 11. Disagreements with management  | Ongoing                    | Audit results presentation |
| 12. Our views about significant matters that were the subject of consultation with other accountants   | Audit results presentation |                            |
| 13. Major issues discussed with management prior to our retention  | Audit results presentation |                            |
| 14. Significant difficulties, if any, encountered dealing with management related to the performance of the audit  | Ongoing                    | Audit results presentation |
| 15. Significant deficiencies in internal control if any, encountered during the audit of the financial statements  | Ongoing                    | Audit results presentation |
| 16. Material written communications between management and us  | Audit results presentation |                            |

## 4.1 - 11

| Required communication  | Timing of communication |                            |
|---|-------------------------|----------------------------|
| 17. All relationships between the Region and us that, in our professional judgment, may reasonably be thought to bear on independence   |                         | Audit results presentation |
| 18. A statement that, in our judgment, the engagement team and others in our firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence |                         | Audit results presentation |
| 19. Illegal or possible illegal acts  | Ongoing                 | Audit results presentation |
| 20. Fraud or possible fraud identified through the audit process  | Ongoing                 | Audit results presentation |
| 21. Significant transactions inconsistent with ordinary business, including related party transactions  | Ongoing                 | Audit results presentation |
| 22. Non-compliance with laws and regulations that come to our attention   | Ongoing                 | Audit results presentation |
| 23. Limitations placed on our scope   | Ongoing                 | Audit results presentation |
| 24. Written representations we are requesting   |                         | Audit results presentation |
| 25. Modifications to our opinion  | Ongoing                 | Audit results presentation |

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DATE: August 27, 2014

REPORT TITLE: **REVISED 2014 INTERNAL AUDIT RISK BASED WORK PLAN**

FROM: Michelle Morris, Acting Director, Internal Audit

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## **RECOMMENDATION**

**That the changes to the 2014 audit work plan as outlined in the report of the Acting Director, Internal Audit, titled “Revised 2014 Internal Audit Risk Based Work Plan” be approved.**

## **REPORT HIGHLIGHTS**

- The Internal Audit Risk Based Work Plan continues to be dynamic and flexible.
- Audit projects are being completed as expected.
- Internal Audit continues to look at aligning audit and advisory projects with higher risks areas, the Strategic Plan and the current Term of Council priorities.

## **DISCUSSION**

### **1. Background**

The Internal Audit Charter states that the Director and staff of Internal Audit have a responsibility to develop a risk based plan and to implement the plan as approved by Audit Committee. In February, 2014, Audit Committee approved the 2014 Internal Audit Risk Based Work Plan. At that time, it was reported that the work plan would continue to be dynamic and flexible based on emerging risks and issues identified throughout the year. Subsequently, changes occurred to the approved plan and we are taking this opportunity to share those changes in this report.

Specific audit projects are included in the work plan each year based on the areas of higher risks which are assessed based on interviews held with senior management. Also included in the work plan is a budget to conduct advisory type projects on an as needed basis throughout the year. Audit project work involves objectively and systematically examining the Region's programs, functions and activities. The audits include measuring and assessing the ongoing performance and operation of management while focusing on management's key objectives. Advisory type work usually involves an examination or investigation of specific components of an operation or a program. These advisory projects, which can also include forensic or special investigations, advice on internal controls or participation on committees, may result from requests from Audit Committee, Regional Council, the CAO, Commissioners or from requests and information received from management or staff.

**REVISED 2014 INTERNAL AUDIT RISK  
BASED WORK PLAN****2. Revised Plan Highlights and Comments**

The Internal Audit Division has completed or is in the process of completing nine projects from the 2014 Internal Audit work plan. Listed below are the changes to the approved 2014 work plan:

- One new project has been added to the plan – Driver Certification Program Benchmark Compliance Audit. Public Works Operations Support has been designated by the Ministry of Transportation (MTO) as a Recognized Authority under the provincial Driver Certification Program. MTO has implemented a process to ensure that all Recognized Authorities are in compliance with ministry requirements by conducting an independent compliance audit. Internal Audit meets the criteria to conduct the audit, which is required to be completed and reported to MTO by October 30, 2014.
- The Purchasing Card Controls and Usage Audit is now being conducted as an advisory project. A Purchasing Card Program review is currently underway and as changes are expected to occur, an audit at the present time would be reviewing processes which are likely to change. The Senior Auditor assigned to the project is working with the Purchasing group as a member of the Advisory Committee for this initiative; primarily from the risk perspective to ensure that key risks to the program are identified and appropriately addressed.
- The Overtime/Standby Audit will now be conducted in two phases. Paramedic Services was selected as the first phase, which is now completed. Phase II will involve reviewing stand-by practices and expenses in four Public Works areas; Transportation, Waste Management, Water and Wastewater and Operations Support.
- The New Purchasing By-law RFP Review was tentatively scheduled to start in December. This audit will be deferred to 2015. The rationale being there will be a full 12 months' worth of contracts to review which should provide a more encompassing indication of whether or not the new established processes are working as intended.
- The Vehicle Equipment Preparedness Services Review is being conducted as a risk assessment which is currently in progress. Paramedic Services will be procuring vehicle and equipment preparedness services to clean and restock ambulances with all the necessary equipment and supplies the Paramedics require on their shifts. Paramedic Services received direction from Regional Council to compare the costs of providing this service by an external service provider versus in house. As part of this direction, Internal Audit is working with Paramedic Services to assess and mitigate the risks to the procurement and service delivery.

The status of all the projects that were contained in the 2014 work plan is outlined in Appendix I.

**CONCLUSION**

Having the flexibility to amend the risk based work plan is necessary each year in order to address current and emerging risks and to satisfy client needs. Through the development and reorganizing of the work plan, we will continue to look at aligning audit and advisory projects with higher risks, the Strategic Plan and the current Term of Council priorities.

Audit projects are being completed as expected. Collaboration with the client at the front-end ensures the approach we provide, advisory or audit, adds the most value.



Michelle Morris, Acting Director, Internal Audit

**Approved for Submission:**

for

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D. Szwarc, Chief Administrative Officer

**APPENDICES**

Appendix I – Status of Audit Projects as at July 15, 2014

*For further information regarding this report, please contact Michelle Morris.*

*Authored By: Lorraine Bradbury Moore*

Appendix I

**REVISED 2014 INTERNAL AUDIT RISK BASED WORK PLAN**

**Status of Audit Projects as at July 14, 2014**

| <b>Strategic Plan Theme</b>                               | <b>Audit Project</b>  | <b>Status of Projects</b>     |
|---|---|-------------------------------|
| Environment   | Waste Management  | <b>Completed</b>              |
| Environment (Potable Water)                               | Supervisory Control and Data Acquisition (SCADA) System                     | <b>Completed</b>              |
| Social Development (Affordable/Assisted Housing)          | Affordable/Assisted Housing – role of Service Manager in increasing supply. | <b>In Progress</b>            |
| Service Excellence in Financial Management                | Paramedic Services Overtime/Standby Audit                                   | <b>Completed</b>              |
| *Service Excellence in Financial Management               | Overtime/Standby Phase II   | <b>In Progress</b>            |
| Community Health (Paramedics)                             | Follow Up Paramedics Audit  | <b>Completed</b>              |
| Other - follow-up on Internal Audit Reports               | Status of Management Action Plans   | <b>Ongoing</b>                |
| Financial Management                                      | Cash Controls   | <b>In Progress</b>            |
| Corporate Governance and Leadership                       | Code of Conduct and Ethics Awareness  | <b>In Progress</b>            |
| Corporate Governance and Leadership                       | Fraud Policy Development  | <b>In Progress</b>            |
| Service Excellence in Financial Management                | Treasury Operations   | <b>Plan to start in 2014</b>  |
| Community Health (Public Health)                          | Children in Need of Treatment (CINOT)                                       | <b>Plan to start in 2014</b>  |
| Social Development  | Early Learning  | <b>Plan to start in 2014</b>  |
| * Environment   | Driver Certification Program (DCP) Benchmark Compliance Audit               | <b>Plan to start in 2014</b>  |
| Environment   | Environmental Control Contract Review                                       | <b>Plan to start in 2014</b>  |
| Corporate Asset Management                                | Fleet Audit Phase II  | <b>Plan to start in 2014</b>  |
| Procurement   | New Purchasing By-law FRP Review  | <b>Deferred to 2015</b>       |
| Excellence in Integrated Strategy Development & Execution | Audit Advisory Services   | <b>Ongoing</b>                |
| Community Health (Paramedics)                             | Make Ready Contracts  | <b>In Progress (Advisory)</b> |
| Financial Management                                      | Purchasing Card Controls and Usage  | <b>In Progress (Advisory)</b> |

**\* Added to work plan during 2014**

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**For Information**


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DATE: August 19, 2014

REPORT TITLE: **PARAMEDIC SERVICES OVERTIME AND STAND-BY AUDIT**

FROM: Michelle Morris, Acting Director, Internal Audit

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**OBJECTIVE**

To inform the Audit Committee of the results of the Paramedic Services Overtime and Stand-by Audit.

**REPORT HIGHLIGHTS**

- Internal Audit found the processes for managing overtime for union employees to be effective.
- There is a need to strengthen the oversight of controls to authorize, approve, track, monitor and control overtime and stand-by pay for non-union employees.
- Human Resources' overtime and stand-by policies need to include clarification and communication to ensure consistent application.
- Management has developed action plans that will improve the overall monitoring process and address the audit observations.

**DISCUSSION****1. Background**

The 2013 Internal Audit Risk Based Work Plan includes an audit of Regional Employees' Overtime and Stand-by was also included in the audit scope.

**Paramedic Services - Three Year Summary of Overtime and Stand-by Expenses**

| Year | Salary/Wage Expense | Overtime Expense | Overtime as a % of Salary Expense | Stand-by Pay Expense |
|------|---------------------|------------------|-----------------------------------|----------------------|
| 2011 | 32,141,032          | 2,371,638        | 7.3%                              | 32,816               |
| 2012 | 33,707,779          | 1,412,864        | 4.2%                              | 33,820               |
| 2013 | 35,089,606          | 1,680,673        | 4.8%                              | 35,127               |

**PARAMEDIC SERVICES OVERTIME AND  
STAND-BY AUDIT**

Based on the high dollar value expense, management requested that the first phase of the overtime and standby audit focus on Paramedic Services.

Peel Regional Paramedic Services operates one reporting station, ten stations and several satellite stations. At peak times, the service operates 45 front line ambulances and eight rapid response units across the Region of Peel. Additionally, there are two storage locations. In 2013, Paramedic Services responded to 97,881 calls and transported 60,686 patients across the Region of Peel. The Division employs 547 FTE, which includes a combination of Advanced Care and Primary Care Paramedics, Administrative and Support Staff, and Supervisory and Management staff.

This audit is the first of a two phased approach for auditing overtime and stand-by expenses and practices at the Region. General observations and opportunities for improvements applicable to other areas within the Region will be communicated Region wide after completing phase II.

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

**2. Audit Objective and Scope**

The objective of the audit was to assess the processes and practices in place at the Region to authorize, approve, track, monitor and control overtime and stand-by pay.

Audit Scope:

Specifically, the audit focused on business units with high overtime and stand-by expenses in fiscal years 2011 to 2013.

The audit scope included:

- Reviewing relevant Regional policies, procedures and business practices,
- Reviewing relevant collective agreements as they relate to overtime and stand-by pay,
- Interviewing staff and management to gather information,
- Reviewing various reports and payroll documents,
- Analysis of overtime, stand-by and absence data, and
- Benchmarking and sample testing based on the results of data analytics.

**3. Audit Observations**

The results of this audit identified that overtime for union employees was assigned through an effective process that takes into consideration using part-time employees and an effective rotational schedule for full time employees. Opportunities for improvement for non-union employees exist including:

- Updating Paramedic Services' internal guidelines and processes for overtime that enable management to consistently apply and monitor overtime spending,
- Assessing the needs for stand-by/senior on-call,

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- Updating Corporate policies and procedures for overtime and stand-by for Region-wide consistent implementation.

Internal Audit will follow-up on the status of outstanding Management Action Plans related to this audit and will report the status to the Audit Committee.

**Update Guidelines and Processes for Overtime**

Paramedics Services has unique requirements being a 24/7 operation. Overtime is required to ensure there is effective coverage when there are unanticipated absences. In order to provide effective services there is a requirement to ensure there is appropriate shift coverage for non-union positions such as scheduling, administrative and management. Current overtime for non-union staff is high. There is a risk that overtime and time in lieu policies are not being applied appropriately resulting in less than optimal resource allocation and spending each year. Opportunities exist to:

- Develop overtime guidelines specific to delivering Paramedic Services, and
- Establish overtime pre-approval processes for non-union positions.

Management will be working with Human Resources to ensure guidelines and processes established by Paramedics Services for overtime comply with the Corporate expectations.

**Opportunities to Reduce Overtime Cost**

Management has taken steps to reduce overtime by using part-time and temporary staff. Opportunities exist to reduce it further by reviewing existing operating processes, such as:

- Assess the appropriate wage/rate non-union employees are paid for special projects and meetings,
- Review the back-fill process for non-union employees, and
- Manage various strategies to their full potential.

Management will be assessing the various options and processes to identify cost saving opportunities.

**Assessment of Stand-by/Senior On-call**

Paramedic Services has a practice of assigning management staff to be the senior on-call responsible to be available in case there is a need for emergency coverage (after hours including weekends and holidays). This practice is in line with the Human Resources Stand-by policy.

Internal Audit's review of stand-by earnings of employees indicated that employees with the highest stand-by earnings were never called in to work after-hours, weekends or on holidays. Opportunities exist to assess the need for standby emergency coverage and to develop criteria that will ensure work requirements are met.

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To ensure that the Region's financial resources are dedicated where required, performing a needs assessment, establishing criteria and monitoring stand-by pay will enable management to make cost effective decisions for meeting service levels.

Management indicated that they have made a business decision to eliminate stand-by/senior on-call for management staff effective July 7, 2014.

**Update Corporate Policies for Overtime and Stand-by**

The criteria and payment rules for overtime and stand-by pay are established by Human Resources in corporate policies. However, the policies require additional clarification and communication to ensure they are consistently applied. Such as:

- Requirement to submit overtime hours worked in a timely manner,
- Requirement for management across the Region to develop criteria when after the fact approval of overtime is acceptable,
- Expectations of management and employees with regards to stand-by,
- Provision of resources/tools for management to monitor overtime and stand-by pay, and
- Implementation of system capabilities to enable management to comply with the *Employment Standards Act*.

As business practices evolve and get more complicated, policies require ongoing maintenance and communication for effective implementation. These policies have not been updated since December 2006. In the absence of clear rules, management finds it challenging to enforce the underlying corporate intent of the policies.

For effective and efficient implementation of these rules, functionality can be implemented in the PeopleSoft Time and Labour system. This will enable Human Resources to effectively enforce the corporate intention of policies. The implementation of PeopleSoft Time and Labour can also provide consistency throughout the Region through monitoring and exception reporting tools.

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**CONCLUSION**

Internal Audit found the processes for managing overtime for union employees to be effective. There is a need to strengthen the controls to authorize, approve, track, monitor and control overtime and stand-by pay for non-union employees. Opportunities exist to reduce overtime and stand-by expenses at Paramedic Services.



Michelle Morris, Acting Director, Internal Audit

**Approved for Submission:**



for

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D. Szwarc, Chief Administrative Officer

*For further information regarding this report, please contact Michelle Morris.*

*Authored By: Joan Appleton, CPA, CGA, CIA, CRMA and Anila Lalani, CIA, CISA*