

# Committee of the Whole Meeting Agenda

# Monday, February 4, 2019 – 2:00 p.m. Council Chambers, Guelph City Hall, 1 Carden Street

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#### Call to Order - Councillor MacKinnon

Disclosure of Pecuniary Interest and General Nature Thereof

## **Staff Recognitions**

1. Ontario Foresters Association, Registered Professional Forester Timea Filer, Urban Forestry Field Technologist

## Consent Agenda – Corporate Services

#### Chair - Councillor MacKinnon

The following resolutions have been prepared to facilitate Council's consideration of various matters and are suggested for consideration. If Council wishes to address a specific report in isolation of the Consent Agenda, please identify the item. It will be extracted and dealt with separately as part of the Items for Discussion.

# CS-2018-27 2018 Third Quarter Operating Variance

(referred from the December 10, 2018 Council Planning Meeting)

#### Recommendation:

1. That the purpose and target balance of the Environment and Utility Contingency Reserve #198 be expanded to include mitigating the Environmental Services' commodity pricing volatility risk in accordance with recommendation nine from Solid Waste Service Review and that Appendix A of the General Reserve and Reserve Fund Policy be updated accordingly; and

2. That \$400,000 of the Environmental Services' projected favourable variance be transferred to the Environment and Utility Contingency Reserve #198 to be used to mitigate against commodity pricing budget volatility.

# Items for Discussion - Corporate Services

#### Maintaining the Voters' List for Municipal Elections

(extracted from the January 4, 2019 Items for Information as requested by Councillor Downer)

Councillor Downer will speak to this item.

#### Service Area Chair and Staff Announcements

Please provide any announcements, to the Chair in writing, by 12 noon on the day of the Council meeting.

#### Ten-Minute Break for Service Area Change

#### Items for Discussion - Public Services

#### Chair - Councillor Hofland

The following items have been extracted from Consent Agenda and will be considered separately. These items have been extracted either at the request of a member of Council or because they include a presentation and/or delegations.

#### PS-2019-03 Healthy Kids Community Challenge Final Report

#### **Presentation:**

Eric Pool, Recreation Supervisor Programs Community Development

#### Recommendation:

That Council receive the final report of the Healthy Kids Community Challenge.

#### Service Area Chair and Staff Announcements

Please provide any announcements, to the Chair in writing, by 12 noon on the day of the Council meeting.

## Ten-Minute Break for Service Area Change

#### Consent Agenda - Audit

#### Chair - Councillor Allt

The following resolutions have been prepared to facilitate Council's consideration of various matters and are suggested for consideration. If Council wishes to address a specific report in isolation of the Consent Agenda, please identify the item. It will be extracted and dealt with separately as part of the Items for Discussion.

#### CAO-2019-01 Internal Audit Work Plan 2019-2021

#### Recommendation:

That report CAO-2019-01 Internal Audit Work Plan 2019-2021, dated February 4, 2019 be approved.

#### CAO-2019-02 Internal Audit Charter Update

#### Recommendation:

That report CAO-2019-02 Internal Audit Charter Update, dated February 4, 2019 be approved.

# CAO-2019-03 Status of Outstanding Management Action Plans Q2 2018

#### Recommendation:

That report CAO-2019-03 Status of Outstanding Management Action Plans Q2 2018, dated February 4, 2019 be received.

#### CAO-2019-04 River Run Centre Cash Handling Audit Report

#### Recommendation:

That report CAO-2019-04 River Run Centre Cash Handling Audit Report, dated February 4, 2019 be received.

#### Items for Discussion - Audit

#### CS-2019-29 2018 Year-end External Audit Plan

#### Presentation:

Matthew Betik, KPMG

#### Recommendation:

That report titled 2018 Year-end External Audit Plan and numbered CS-2019-29 be received.

# **Service Area Chair and Staff Announcements**

Please provide any announcements, to the Chair in writing, by 12 noon on the day of the Council meeting.

# Adjournment

# Staff Report



To City Council

Service Area Corporate Services

Date Monday, December 10, 2018

Subject **2018 Third Quarter Operating Variance Report** 

Report Number CS-2018-27

#### Recommendation

- 1. That the purpose and target balance of the Environment and Utility Contingency Reserve #198 be expanded to include mitigating the Environmental Services' commodity pricing volatility risk in accordance with recommendation nine from the Solid Waste Service Review and that Appendix A of the General Reserve and Reserve Fund Policy be updated accordingly; and
- 2. That \$400,000 of the Environmental Services' projected favourable variance be transferred to the Environment and Utility Contingency Reserve #198 to be used to mitigate against future commodity pricing budget volatility.

# **Executive Summary**

# **Purpose of Report**

The purpose of this report is to provide an in-year projection of the 2018 year-end position for the Tax Supported and Non-tax Supported programs based on financial information as of September 30, 2018. Further, this report serves to advise Council of any risks and challenges that the City is experiencing from a budget perspective and provides an opportunity to also highlight successful budget outcomes.

# **Key Findings**

Overall, a \$1,430,500 net favourable variance is projected for the City's Tax Supported Budget comprised of:

City Departments (\$325,500) Favourable
General Revenues, Expenses and Financing
Local Boards and Shared Services
Total tax supported variance (\$1,105,000) Favourable
(\$1,00,000) Favourable
(\$1,530,500) Favourable
(\$1,530,500) Favourable
(\$1,430,500) Favourable

The City's Non-tax Supported Budgets are projecting a \$2,930,000 net favourable variance.

ATT-1 provides a projected budget-to-actual variance by department.

Staff are very pleased with the projected Environmental Services favourable variance of \$800,000, which shows that the actions put in place as a result of the Service Review have been successful. These savings are fairly certain at this point in the year and consistent with the past practice of recommending a reserve transfer to mitigate known cost overages. Staff recommend transferring part of this surplus to achieve protection from budget uncertainty in the commodity pricing market. This is a direct recommendation from the Service Review and an achievement to be able to implement this reserve strategy from the savings within Environmental Services.

Some notable corporate variance drivers identified as contributing to year-end projected variances include:

- a) A number of revenue related variances are contributing to departmental results and are discussed in further detail in the body of the report. Notably, supplementary taxation revenue is projecting \$1.3 million favourable compared to budget due to the City's proactive assessment base management program, new development and a strengthened relationship with our Municipal Property Assessment Corporation counterparts;
- b) A favourable year-end position is projected for departmental salaries and wages despite an increase in temporary wages and overtime, however, the City is experiencing benefit cost pressures predominantly with Workplace Safety Insurance Board (WSIB) that may require use of the WSIB Reserve at year-end;
- c) A favourable year-end position is projected for utilities and fuel and a reserve transfer is projected to the Environment and Utility Contingency Reserve accordingly.

There are a number of departmental projected variances over \$150,000 resulting from the drivers described above that are discussed more wholesomely through the report. In some cases, reserve transfers are projected in accordance with the Council approved General Reserve and Reserve Fund Policy.

## **Financial Implications**

There are no direct financial implications resulting from this report. The actual financial results will not be known until year-end. Any surplus or deficit will be transferred to or from the City's reserve and reserve funds at year-end, subject to Council approval, in accordance with the Year-end Operating Surplus Allocation Policy.

The year-end position is important in determining the City's overall fitness as assessed by an external credit rating agency. This credit rating affects the price in which the City can issue debt and therefore affects the affordability of long-term capital projects for the Guelph tax and ratepayers.

# Report

Actual expenditures, revenues and related commentary were analyzed as of September 30, 2018. Potential significant deviations from the budget that are expected to have an impact on the year-end financial position were identified with Finance staff support. Departments have identified some positive trends, challenges, risks and concerns based on all known and available information at the time of this report.

#### Summary of Projected Operating Variance for December 31, 2018

	Total Annual Net Budget for Year 2018 (\$)	r Year Variance Dec 31,		
		(Brackets indicate a favourable variance)		
Tax Supported				
City Departments	\$128,341,917	\$(225,500)	(0.2%)	
General Revenues, Expenses and Financing	\$(205,456,925)	\$(1,105,000)	(0.5%)	
Local Boards	\$50,904,918	\$(100,000)	(0.2%)	
Shared Services	\$26,210,090	\$-	0.0%	
Total Tax Supported	\$ -	\$(1,430,500)	(0.6%)	
Non-tax Supported				
Water Services	\$	\$(880,000)	(2.8%)	
Wastewater Services	\$	\$(1,415,000)	(4.5%)	
Ontario Building Code*	\$	\$-	0.0%	
Court Services	\$	\$(25,000)	(0.6%)	
Stormwater Services	\$	\$(610,000)	(10.1%)	
Total Non-tax Supported	\$	\$(2,930,000)	(4.0%)	

<sup>\*</sup>Note that the Ontario Building Code unfavourable variance of \$300,000 has been shown net of the projected Reserve Fund transfer to be consistent with the

presentation for other mandatory transfers in accordance with the General Reserve and Reserve Fund Policy.

# **Corporate Variance Drivers**

The identified drivers below were significant, resulting in variances in both the Nontax Supported and Tax Supported departmental budgets as well as the Local Boards budgets.

#### 1. Revenues

Year-end favourable revenue variances are projected for:

- By-law due to increased animal tags and parking fine enforcement revenue;
- Police are experiencing higher than anticipated special duty, record checks and alarm fee revenue;
- Environmental Services was successful in increasing the Stewardship Ontario grant revenues for the blue box program because of better diversion rates;
- Water and Wastewater Services due to higher billable consumption revenue;
- Stormwater Services due to an increase in impervious area billable units;
- City taxation due to increased supplementary revenue; and
- Investment and dividend revenues are projecting favourable due to Guelph Junction Railway declaring a dividend to the City of \$100,000 that was not anticipated and the increasing Bank of Canada interest rates which are improving the City's cash and investment portfolio returns.

Year-end unfavourable revenue variances are projected for:

- Environmental Services recyclable revenue is trending below budget due to international trade policies banning paper products in certain markets;
- Culture, Tourism and Community Investment have experienced lower grants and sponsorships than planned;
- Engineering and Transportation Services are projecting parking revenue shortfalls resulting from the longer than anticipated closure of the West Parkade, and lower subdivision revenue; and
- Transit is projecting lower than budgeted pass, ticket and cash sales revenue.

#### 2. Compensation

Overall combined costs related to salaries, wages and overtime are currently trending lower than budget and are projected to be \$250,000 favourable at year-end, inclusive of savings experienced from the length of time it takes to fill vacancies.

Overtime is currently trending higher than budget. Departments are able to meet service requirements through the deployment of overtime within the context of the overall compensation budget. Major factors that contributed to increased overtime costs include:

- Unplanned storm events that require service levels or statutory requirements to be met;
- Special events such as parades, homecoming and festivals;
- Short-term and long-term staffing leaves, and the critical nature of backfilling emergency services, law enforcement and transit operations absences; and
- Emergency repairs to critical infrastructure including water mains.

While salary, overtime and temporary wages are trending below target, the City is projecting an unfavourable variance of \$400,000 in benefit costs mainly related to increasing Workplace Safety Insurance Board (WSIB) pressures. Staff will continue to work on a sustainable long-term funding strategy to ensure the City can meet its WSIB obligations in an affordable phased-in approach. Any deficit at year-end can be funded from the WSIB Reserve or the Compensation Contingency Reserve in accordance with the General Reserve and Reserve Fund Policy.

#### 3. Utilities

Overall year-to-date energy and utility expenditures are trending approximately 11 per cent below budget. Based on historical consumption and expenditure trends, an eight per cent favourable variance is projected for 2018 year-end. Staff will continue to monitor the impact of the Corporation's energy and water consumption, the energy market, and Provincial strategies and programs.

#### 4. Fuel

In the third quarter, the regular diesel cost per litre has trended lower than budget to 1.038/litre compared to a budget of \$1.05/litre. Fuel costs are projected to continue decreasing in the coming months.

If fuel costs continue to decrease, as projected by the Canadian energy analysts, costs will be lower than projected resulting in a favourable variance at year-end. Staff will transfer this surplus to the Environment and Utility Contingency Reserve to mitigate future risk related to market price changes in accordance with the City's General Reserve and Reserve Fund Policy.

# **City Departmental Variances**

In addition to the variance drivers explained above, the following departments are projecting year-end variances greater than \$150,000:

- Planning and Building Services is projecting net favourable variance of \$260,000 mainly due to higher than budgeted planning application fees, and staff vacancy savings.
- Facilities Management is projecting a net favourable variance of \$200,000 due to efficiencies associated with prolonging some of the streetlight maintenance activities co-ordinated as part of the LED streetlight replacement program that is being implemented.
- Environmental Services is projecting a favourable variance of \$800,000, enabled in part by dedicated financial oversight. This variance is primarily driven by higher than budgeted revenues in blue box program payments

from Stewardship Ontario and lower than budgeted property tax expenses from a reassessment. Additional one-time costs incurred in 2018 related to changes in contract management have been mitigated internally. Staff are recommending that \$400,000 be transferred to the Environment and Utility Contingency Reserve to mitigate risk related to recyclable material commodity market price fluctuations. This is in-line with the Service Review recommendations. The projected net favorable variance will then be \$400,000 at year-end.

- Culture, Tourism & Community Investment is projecting a net unfavourable variance of \$350,000 due to lower grant and sponsorship revenues as well as increased compensation, and repairs and maintenance expenses. Staff continue to monitor and mitigate variances where possible.
- Guelph Transit is projecting an unfavourable variance of \$278,000. The variance is mainly attributed to lower than projected revenues from cash and ticket sales and increased overtime costs due to 12 vacancies from the approved staffing compliment. Mitigation measures are currently in effect.
- Information Technology is projecting a net unfavourable variance of \$180,000 due to significant increase in corporate applications software expenses, and the unplanned need to continue CLASS licensing.
- Water Services is projecting a net favourable variance of \$880,000 due to higher than planned billable consumption revenue and new growth demands.
- Wastewater Services is projecting a net favourable variance of \$1,415,000 mainly due to staff vacancy savings, participation in the Industrial Conservation Initiative which resulted in a Global Adjustment Class A reclassification. Further revenue savings are also anticipated due to higher billable consumption revenue and new growth demands.
- Stormwater Services is projecting a net favourable variance of \$610,000 due to higher than projected impervious area billing units and lower uptake of the of the stormwater credit/rebate fee program.
- Ontario Building Code Administration (OBCA) is projecting an unfavourable variance of \$300,000 due to lower permit activity. In accordance with the General Reserve and Reserve Fund Policy, this deficit would be funded from the Building Services OBC Stabilization Reserve Fund at year-end resulting in a net zero position.
- General Expenditures are projecting a net unfavourable variance of \$250,000 due to the following:
  - human resources negotiations costs for collective bargaining that went into arbitration;
  - legislative compliance costs related to pay equity and the first phase of implementing Bill 148;
  - o corporate benefits and severance costs;
  - Council-approved settlement of the completion of the Canada Revenue Agency taxable benefit payroll audit; and

- lower than budgeted expenses for property tax write-offs and rebates.
- General Revenues are projecting a net favourable variance of \$1,355,000 due to the unplanned \$100,000 Guelph Junction Railway dividend received, higher than budgeted investment revenues, and City supplementary taxation revenues.

## **Risks**

Fluctuations with actual revenues and expenditures will continue for the remainder of the year until the actual financial results are determined at year-end. The current financial projection based on September 30, 2018 actuals is indicating the City may be in a surplus position. This is subject to change due to the risks already outlined as well as the following:

- a) Collective Bargaining
  - At the time of writing this report, the Guelph Professional Firefighters' Association, and Ontario Public Service Employee Union (OPSEU) Local 231 (Paramedics), which expired on December 31, 2017 and March 31, 2018, respectively have not been ratified. The approved budget included a contingency for an anticipated economic increase; there is risk of negative variance if the final agreements are higher than the anticipated increases. In addition to the economic increases, costs related to bargaining and negotiations could increase depending on the length of arbitration and the outcome.
- b) Local Boards
  Guelph Police Services are currently anticipating \$100,000 favourable yearend variance, however if the severity of crime or level of crime increases it
  may impact overtime resulting in a negative variance.

#### **Consultations**

Departments are responsible for managing their programs according to municipal standards and within the approved budget. The responsibility of monitoring the operating budget is shared by the departments and the Finance department. Department Managers were provided financial reports based on their actual revenue and expenditures to September 30, 2018 with which they provided a projected year-end commentary in consultation with the Finance department.

# **Corporate Administrative Plan**

Budget monitoring and variance reporting are aligned with the City's strategic objectives. Providing Committee and Council with quarterly variance reports specifically aid the achievement of the following Corporate Administrative Plan directions:

## **Overarching Goals**

Financial Stability Service Excellence

## **Service Area Operational Work Plans**

Our Services - Municipal services that make lives better Our Resources - A solid foundation for a growing city

## **Attachments**

ATT-1 Operating Budget Variance by Department as at September 30, 2018

## **Report Author**

Ron Maeresera, Sr. Corporate Analyst, Finance Client Services

## **Departmental Approval**

Karen Newland, Manager, Finance Client Services

**Approved By** 

Tara Baker, CPA, CA GM Finance/City Treasurer Corporate Services 519-822-1260 ext. 2084 tara.baker@guelph.ca **Recommended By** 

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		ATT-1	to	report CS-2018-27							
ATT-1 to report CS-2018-27  Operating Budget Variance by Department as at September 30, 2018											
Operati Department		udget Variance nnual Budget 2018		Year-to-date Net Expenditures ieptember 30, 2018 (\$)	N D (F	Projected /ariance for /ec 31, 2018 /avourable) / /nfavourable (\$)		Projected Transfer To / (From) (\$)		et Projected Year-end /ariance (\$)	Projected Net Variance for Dec 31, 2018 (%)
TAX SUPPORTED											
CAO MAYOR AND COUNCIL	\$	979,505	\$	687,920	\$	(19,500)	\$	-	\$	(19,500)	
CAO ADMINISTRATION	\$	731,475	\$	397,309	\$	-	\$	В.	\$	-	-
STRATEGY, INNOVATION & INTERGOVERNMENTAL SERVICES	\$	1,027,920	\$	797,558	\$	33,000	\$	-	\$	33,000	-
LEGAL, REALTY AND COURT SERVICES	\$	1,836,520	\$	982,997	\$	(100,000)	\$	100,000	\$	E	Ē
INTERNAL AUDIT	\$	367,473	\$	217,963	\$	(29,000)	\$	Э	\$	(29,000)	=
CORPORATE COMMUNICATIONS	\$	996,790	\$	589,671	\$	(43,000)	\$	-	\$	(43,000)	
BUSINESS PROCESS MANAGEMENT	\$	393,907	\$	170,180	\$	(15,000)	\$	-	\$	(15,000)	-
SUBTOTAL CAO	\$	6,333,590	\$	3,843,598	\$	(173,500)	\$	100,000	\$	(73,500)	(1.2%)
INFRASTRUCTURE, DEVELOPMENT & ENTERPRISE											
IDE ADMINISTRATION	\$	245,670	\$	150,966	\$	40,000	\$	-	\$	40,000	-
PLANNING AND BUILDING SERVICES	\$	3,360,975	\$	1,259,972	\$	(260,000)	\$	=	\$	(260,000)	-
FACILITIES MANAGEMENT	\$	5,437,170	\$	3,976,263	\$	(200,000)	\$	=	\$	(200,000)	-
ENGINEERING AND TRANSPORTATION SERVICES	\$	1,994,808	\$	1,773,175	\$	100,000	\$	-	\$	100,000	-
ENVIRONMENTAL SERVICES	\$	11,940,318	\$	7,266,042	\$	(800,000)	\$	400,000	\$	(400,000)	-
BUSINESS DEVELOPMENT & ENTERPRISE SERVICES	\$	1,439,590	\$	860,054	\$	(30,000)	\$	-	\$	(30,000)	-
SUBTOTAL INFRASTRUCTURE, DEVELOPMENT AND ENTERPRISE	\$	24,418,531	\$	15,286,472	\$	(1,150,000)	\$	400,000	\$	(750,000)	(3.1%)
PUBLIC SERVICES											
PUBLIC SERVICE ADMINISTRATION	\$	430,560	\$	262,749	\$	-	\$	-	\$	-	=
PARKS & RECREATION SERVICES	\$	13,275,006	\$	9,158,170	\$	-	\$	-	\$	-	-
CULTURE, TOURISM & COMMUNITY INVESTMENT	\$	6,153,931	\$	5,621,944	\$	350,000	\$	-	\$	350,000	-
GUELPH TRANSIT	\$	17,698,350	\$	14,640,856	\$	278,000	\$	=	\$	278,000	-
OPERATIONS	\$	14,659,039	\$	11,031,235	\$	(200,000)	\$	100,000	\$	(100,000)	-
FIRE SERVICES	\$	26,575,910	\$	19,771,130	\$	(120,000)	\$	-	\$	(120,000)	
GUELPH-WELLINGTON PARAMEDIC SERVICES	\$	6,594,695	\$	5,111,598	\$	30,000	\$	=	\$	30,000	=
SUBTOTAL PUBLIC SERVICES	\$	85,387,491	\$	65,597,682	\$	338,000	\$	100,000	\$	438,000	0.5%
CORPORATE SERVICES											
CORPORATE SERVICES ADMINISTRATION	\$	331,610	\$	201,061	\$	-	\$	-	\$	-	-
HUMAN RESOURCES	\$	2,580,585	\$	1,851,863	\$	-	\$	-	\$	-	-
INFORMATION TECHNOLOGY	\$	5,291,715	\$	4,015,179	\$	180,000	\$	-	\$	180,000	-
CITY CLERK'S OFFICE	\$	1,628,530	\$	1,301,431	\$	500,000	\$	(500,000)	\$	-	=
FINANCE	\$	2,369,865	\$	1,533,113	\$	(20,000)	\$	-	\$	(20,000)	-
SUBTOTAL CORPORATE SERVICES TOTAL CITY DEPARTMENTS	<b>\$</b>	<b>12,202,305</b> 128,341,917	<b>\$</b>	<b>8,902,647</b> 93,630,399	\$	660,000 (325,500)	<b>\$</b>	(500,000) 100,000	<b>\$</b>	160,000 (225,500)	1.3% (0.2%)
GENERAL EXPENDITURES AND CAPITAL FINANCING	Þ	128,341,917	Þ	93,630,399	Þ	(323,500)	Þ	100,000	Þ	(225,500)	(0.2%)
GENERAL EXPENDITURES	\$	5,280,706	\$	1,530,220	\$	250,000	\$	-	\$	250,000	4.7%
GENERAL REVENUES	\$	(244,594,736)	\$	(228,180,873)	\$	(1,355,000)	\$	-	\$	(1,355,000)	0.6%
CAPITAL FINANCING	\$	31,189,405	\$	29,885,252	\$	=	\$	=	\$	=	0.0%
GRANTS - SPECIAL PROJECTS	\$	2,667,700	\$	2,689,536	\$	=	\$	=	\$	=	0.0%
SUBTOTAL GENERAL EXPENSES, REVENUES AND CAPITAL FINANCING	\$ (	(205,456,925)	\$	(194,075,865)	\$	(1,105,000)	\$	-	\$	(1,105,000)	0.5%
TOTAL CITY	\$	(77,115,009)	\$	(100,445,466)	\$	(1,430,500)	\$	100,000	\$	(1,330,500)	(1.7%)
LOCAL BOARDS			Ī				Ī		Ī		
POLICE	\$	40,301,300	\$	30,103,489	\$	(100,000)	\$	=	\$	(100,000)	=
LIBRARY	\$	9,089,062	\$	7,031,331	\$	-	\$	-	\$	-	·
THE ELLIOTT LONG-TERM CARE	\$	1,514,557	\$	1,514,896	\$	-	\$	-	\$	-	ı
SUBTOTAL LOCAL BOARDS	\$	50,904,919	\$	38,649,716	\$	(100,000)	\$	-	\$	(100,000)	(0.2%)

ATT-1 to report CS-2018-27								
Operating Budget Variance by Department as at September 30, 2018								
Department	Annual Budget 2018	Year-to-date Net Expenditures September 30, 2018 (\$)	Projected Variance for Dec 31, 2018 (Favourable) / Unfavourable (\$)	Projected Transfer To / (From) (\$)	Net Projected Year-end Variance (\$)	Projected Net Variance for Dec 31, 2018 (%)		
SHARED SERVICES								
WDG PUBLIC HEALTH	\$ 3,868,973	\$ 3,868,974	\$ -	\$ -	\$ -	-		
SOCIAL SERVICES	\$ 22,341,117	\$ 15,863,044	\$ -	\$ -	\$ -	=		
SUBTOTAL SHARED SERVICES	\$ 26,210,090	\$ 19,732,018	\$ -	\$ -	\$ -	0.0%		
Subtotal Local Boards and Shared Services	\$ 77,115,009	\$ 61,071,270	\$ (100,000)	\$ -	\$ (100,000)	(0.1%)		
TOTAL TAX SUPPORTED	\$ -	\$ (39,374,196)	\$ (1,530,500)	\$ 100,000	\$ (1,430,500)	(0.6%)		
NON-TAX SUPPORTED								
WATER SERVICES	\$ -	\$ 4,121,867	\$ (880,000)	\$ -	\$ (880,000)	(2.8%)		
WASTEWATER SERVICES	\$ -	\$ 1,110,048	\$ (1,415,000)	\$ -	\$ (1,415,000)	(4.5%)		
ONTARIO BUILDING CODE	\$ -	\$ 347,830	\$ 300,000	\$ (300,000)	\$ -	0.0%		
COURT SERVICES	\$ -	\$ (161,820)	\$ (25,000)	\$ -	\$ (25,000)	(0.6%)		
STORMWATER SERVICES	\$ -	\$ 718,997	\$ (610,000)	\$ -	\$ (610,000)	(10.1%)		
TOTAL Non-Tax Supported	-	\$ 6,136,922	\$ (2,630,000)	\$ (300,000)	\$ (2,930,000)	(4.0%)		



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January 3, 2019

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Please be advised that Hamilton City Council at its meeting of December 19, 2018, approved Item 7.3, which reads as follows:

# 7.3 Maintaining the Voters' List for Municipal Elections

WHEREAS, concerns over the quality of the Municipal Voters List is not a new phenomenon;

WHEREAS, in 2012, the Association of Municipal Managers, Clerks and Treasurers of Ontario (AMCTO) published a Voters List Position Paper and since that time has been advocating for transformational changes to the way that Ontario creates and maintains the Voters' List for municipal elections;

WHEREAS, the Preliminary List of Electors, which forms the Voters' List in Ontario, is supplied by data from the Municipal Property Assessment Corporation (MPAC);

WHEREAS, despite the incremental changes made by MPAC, MPAC has a limited ability to fix the currency and accuracy issues that impairs the current

# Maintaining the Voters' List for Municipal Elections Page 2 of 4

process and the Voters' List continues to be flawed with data inaccuracies and outdated information; and,

WHEREAS, a transformational solution to the way that the Voters' List is created and managed is required;

## THEREFORE, BE IT RESOLVED:

- (a) That the Council of the City of Hamilton supports the re-establishment of the multi-stakeholder working group between the Ministry of Municipal Affairs, Ministry of Finance, AMCTO, MPAC, Elections Canada and Elections Ontario in exploring and identifying ways to create and maintain the Voters' List for Municipal Elections;
- (b) That Council requests an update be provided from this Voters' List Working Group on the transformational solutions being discussed;
- (c) That representatives from MPAC be invited to a future General Issues Committee meeting to hear the City of Hamilton's concerns (attached hereto) and advise the City on what steps MPAC will be taking in the future;
- (d) That a letter of concerns respecting the Voter's List for Municipal Elections and a request for investigation be forwarded to the Ombudsman's Office; and,
- (e) That a copy of this motion, respecting the Voter's List for Municipal Elections be circulated to all municipalities and the Association of Municipalities of Ontario (AMO).

On behalf of Hamilton City Council, we thank you for your consideration respecting this very important matter and look forward to your response.

Sincerely,

Stephanie Paparella Legislative Coordinator Office of the City Clerk

Copied:

Paul Dube, Ombudsman of Ontario Jamie McGarvey, President, Association of Municipalities of Ontario All Ontario Municipalities

# Maintaining the Voters' List for Municipal Elections Page 3 of 4

The City of Hamilton is looking to the Working Group to find resolutions that would include, but not be limited to, the following matters that were encountered during the 2018 municipal election process:

- (a) Neighbours on the same Voter Notification Cards (VNC);
- (b) Polling locations not matching the address;
- (c) Incorrect mailing addresses;
- (d) Electors showing up at an address who had never lived there;
- (e) Addresses outside of the polling subdivision;
- (f) Incorrect names on the VNCs;
- (g) Entire buildings missed;
- (h) Completed the EL15 last Election and still not on the Voters' List;
- (i) No units listed in buildings; and,
- (j) Electors who had lived at their residence for many years not receiving a VNC.

The responsibility of adding the Applications to Amend, Correct and Delete forms has now been downloaded from MPAC to the municipalities. In the case of the City of Hamilton, it required the inputting of over 27,000 applications into the Datafix program; with the legislated deadline for inputting these applications being 30 days from Election Day, which became a very labour intensive and time-consuming task.

Forms that could not be inserted into the Datafix program within the 30-day deadline, were not accepted by MPAC; leaving some of the elector submitted corrections undone and to remain incorrect for the next election.

MPAC has agreed to keep the Voter Look Up program available all year round rather than just in an election year; leaving the obligation of improving the Voters List with the elector and the municipalities.

It was suggested that a campaign be commenced by preparing a drop off card for every household in the city (each municipality would manage their own). This card could include all aspects of adding, correcting and deleting information from the Voters' List. It should also include how to deal with situational voters such as borders, tenants, family members and students.

After the drop off program has concluded, and in conjunction with the appropriate communications strategy, municipalities should continue, on a quarterly basis, to remind electors to check the Voter Look Up program on their respective municipalities website to ensure their information is correct.

In an election year, this program could be expanded to a monthly basis and include radio and print advertisements to reinforce to the elector that the responsibility of ensuring they are correctly included on the voters list on Election Day is their own.

# Maintaining the Voters' List for Municipal Elections Page 4 of 4

Municipalities continue to pay for and use an inaccurate, outdated product (voters list). Unless there is a proactive strategy in place for the preparation of a much more accurate voters list for all municipalities, the same issues will most likely occur in 2022.

# Staff Report



To **Committee of the Whole** 

Service Area Public Services

Date Monday, February 4, 2019

Subject Healthy Kids Community Challenge Final Report

Report Number PS-2019-03

#### Recommendation

1. That Council receive the final report of the Healthy Kids Community Challenge.

# **Executive Summary**

## **Purpose of Report**

To provide Council with a summary of the Healthy Kids Community Challenge – branded "Energize Guelph" locally. The project was funded by the Ontario Ministry of Health and Long-Term Care from October 2015 – September 2018 with a mandate to make it easier for Guelph children to be active and eat healthier.

# **Key Findings**

On September 12, 2014, the City of Guelph was selected by the Ontario Ministry of Health and Long-Term Care as one of 45 communities across Ontario to participate in the Healthy Kids Community Challenge – a community driven initiative aimed at making it easier for children to eat healthier and be more physically active.

As host of the Challenge, the City of Guelph was awarded \$825,000 over three years - extended into January 2018 to \$962,500 over three and a half years - to develop new and support existing programs that foster health and wellbeing opportunities for children.

Every nine months, the Ministry of Health and Long-Term Care provided all participating communities with a new healthy living theme that focused on one of two health priority areas: healthy eating or active living. These themes and priority areas were used to guide the project's planning and implementation of community-based programs and initiatives.

Over the course of the project, Energize Guelph developed and implemented 33 community based interventions in line with four key health priority themes. Through direct programming, educational workshops, community partnership, and community events, over 15,000 children and parents/caregivers were directly engaged in Energize Guelph interventions and health messaging.

# **Financial Implications**

Energize Guelph received \$962,500 in funding from the Ontario Ministry of Health and Long-Term Care: \$275,000/year from 2015-2017 and \$137,500 in 2018. An additional \$50,000/year (50% of the Project Leadership position) was required to initiate Healthy Kids Community Challenge funding. This cost was included in the Youth Services annual budget.

# Report

As a community-driven initiative, the Healthy Kids Community Challenge (HKCC) application was spearheaded by the City of Guelph, in partnership with Wellington-Dufferin-Guelph Public Health and a steering committee comprised of public, private, and non-profit sector partners.

Through the application and selection process, Guelph was chosen as 1 of 45 communities across Ontario to participate in the challenge and was initially awarded \$825,000 over 3 years to develop new and support existing programs that fostered health and well-being opportunities for children aged 0-12. In January 2018, project funding was extended until September 30, 2018, and provided an additional \$137,500.

Every nine months, the Ministry of Health and Long-Term Care provided all participating communities with a new healthy living theme that focused on one of two health priority areas: healthy eating or active living. These themes and priority areas were used to guide the project's planning and implementation of community-based programs and initiatives.

The first theme, "Run.Jump.Play.Everyday." was introduced at the outset of the project and focused on encouraging children to incorporate physical activity into their everyday lives.

The second healthy living theme, "Water Does Wonders" was introduced by the Ministry in July 2016, aiming to reduce the consumption of sugar-sweetened beverages while encouraging water as a first choice of beverage for children.

The third healthy living theme, "Choose to Boost your Veggies and Fruit," was introduced in April 2017, encouraging children to make fresh fruits and vegetables a part of their daily meals and snacks.

The fourth and final theme, "Power Off and Play," was introduced in January 2018 and promoted a reduction in daily discretionary screen time for children.

In collaboration with the project's steering committee, a Community Needs Assessment was conducted between October and December 2015 to further help identify the unique needs, gaps, opportunities, resources, community assets, and priority populations relevant to the planning and delivery of the project interventions. This assessment also helped define Guelph-specific deliverables and outcomes required to evaluate the success of the overall project.

#### **Key Accomplishments**

Over the course of the 2015-2018 initiative, Energize Guelph and its 44 local community partners achieved the following goals:

- 1) Established a Project Steering Committee to help guide and support the planning, implementation and evaluation of community-based initiatives.
- 2) Conducted a comprehensive Community Needs Assessment to identify the unique needs, gaps, opportunities, resources, and community assets in Guelph related to the planning and implementation of physical activity programs and initiatives for children aged 0-12.
- 3) Participated in a baseline data collection process to assist with the identification of health outcomes, behavioural changes, and process indicators for healthy, active living, as part of a provincial-level evaluation of the challenge.
- 4) Developed and implemented a theme-based action plan in response to identified needs, gaps, assets and barriers in Guelph.

#### Notable initiatives include:

• Eighteen novel recreation programs throughout the City of Guelph Recreation Services were introduced, most of which had never been offered before in Guelph.

These programs, e.g. quidditch, circus arts, slackline, bubble soccer, and stand-up paddle boarding were designed to offer fun and unique physical activity opportunities, as well as engage new child audiences who were not interested in more traditional forms of sport and recreation.

Parent/child cooking programs were also introduced as part of this initiative to help increase role modeling of health behaviours.

 Use of City Recreation Facilities and Community Use of Schools Agreement to increase the geographical reach of City programming, reduce transportation barriers, and create walkability options in the community

Evaluation data from program participants highlight that:

- 94% of respondents learned a new skill through Energize Guelph programming.
- 91% of respondents believe Energize Guelph programming is a place for children to be social.
- 71% of respondents are more physically active than before participating in Energize Guelph programming.

Program workshops were delivered in 39 elementary school classrooms to increase children's exposure to new forms of recreational programming and physical activity.

In partnership with KidsAbility, Energize Guelph introduced the first recreation-focused adaptive sport opportunities in Guelph, those being Wheelchair Tennis and Wheelchair Basketball. These programs ultimately provided the foundation for the Limitless Guelph project: a separate project hosted by City of Guelph Recreation Services and funded through the Ontario Ministry of Culture, Tourism, and Sport, which expanded the scope and reach of the City's adaptive sport programs and educational workshops.

#### Park Activation Program

This program provided free, family drop-in programming to community parks and open spaces. The aim of the program was to teach parents and children new ways of using park spaces to be physically active and was initially offered in four parks across Guelph.

Participant and evaluation data from the pilot year (2016) was used to leverage a separate funding proposal from the Ontario Ministry of Culture, Tourism and Sport's Ontario Sport and Recreation Communities Fund, and in 2018, the Park Activation Program was offered six days per week in 11 community parks.

Two Activation Stations were introduced in Exhibition Park and Margaret Greene Park in order to expand the scope of program options and opportunities, i.e. sensory play, art-based activities, live wall for gardening and horticulture.

Park Activation Program evaluation data from program participants highlight that:

- 71% of respondents visit parks more often
- 87% of respondents have learned new ways to be active
- 96% of respondents find Park Activation programming easy to access
- 70% of respondents are more active
- 93% of respondents see Park Activation as a place to be social

#### • Energize Guelph Reusable Water Bottle Vending Machine

Vending machines were installed in two City recreation facilities. Through this initiative, patrons of both facilities are able to purchase a refillable, stainless steel water bottle at a comparable price to other bottled drinks to help reduce the consumption of sugar-sweetened beverages and promote regular consumption of Guelph tap water.

Infographic on the front of the machines highlights the often surprising amount of sugar found in other vending machine products that are especially perceived to be healthier options, e.g. fruit juice and chocolate milk. Since its launch in February 2017, the machines have collectively sold over 2,500 bottles. This initiative has been featured in local media and on CBC Radio; it has also garnered consultation requests from other communities across Ontario and Canada.

 Multi-sectoral partnership between the Guelph Neighbourhood Support Coalition, the Guelph YMCA-YWCA and Ball4All

Partnerships provided 15 new community-based physical activity programs for children and parents/caregivers. Programs were offered in identified priority neighbourhoods and unique locations throughout Guelph to help reduce geographical/transportation barriers to access. All programs are offered free of charge to help reduce financial barriers to access.

Development and distribution of Inspiring Kids. Inspired Futures

In partnership with the Children's Foundation of Guelph-Wellington and the Guelph Chamber of Commerce, stories of local leaders recognizing and celebrating the influential role that recreational activities had on their growth and development as children were shared.

Free to Play Program

Supported fundraising for this program, which provided financial assistance for low-income families. Visit the <u>Children's Foundation</u> website for latest news.

Educational Forums

Hosted four educational forums in partnership with Guelph InMotion Child and Youth Committee and the Balanced Technology Management Committee. Over 320 parents, caregivers, early childhood educators and childcare providers were trained in the following:

- 1) Physical Literacy Development
- 2) Health and Nutrition
- 3) Practical Strategies for incorporating fresh fruits and vegetables into meals at home and in childcare settings
- 4) Family planning around reducing discretionary screen time
- Grand Opening Celebration for the Silvercreek Skatepark hosted this celebration.

Inline with this event, 40 children (all meeting income eligibility criteria of the Children's Foundation of Guelph-Wellington) were provided with non-

stigmatizing skateboards and helmets at the event to reduce financial barriers to participation and promote ongoing use of the public skate park.

Water bottle fill stations in four local elementary schools

An audit of all Upper Grand District School Board (UGDSB) schools was completed to help identify schools that would most benefit from the inclusion of fill stations, based on geographical location, existing infrastructure, priority designation of the school and the socio-economic status of the neighbourhood.

To ensure increased use of the fill stations and ongoing access to water in schools, the identified schools, along with five other identified priority schools, were provided with refillable water bottles for all students: over 2,400 children in total.

Partnered with Children's Foundation of Guelph-Wellington's Food & Friends
Program to enhance meal and snack programs at 18 Guelph Elementary
Schools.

Through this partnership, student meal and snack programs were able to offer fresh fruits and vegetables, and were provided with equipment to aid in food preparation so as to meet the high demand of the nutritious meals and snacks required.

As part of this initiative, 38 local elementary schools also participated in the "Great Big Crunch" – a national event aimed at increasing food literacy and healthy snacking for children.

 Supported the expansion of the Canadian Mental Health Association of Waterloo Wellington's Food for Life Program – an interactive teaching program that addresses physical wellness and mental health in schools.

The program was offered in two modules (JK - Grade 1 and Grades 2 - 4), both of which encouraged children to practice healthy eating strategies, such as eating foods from the different food groups, eating regularly through the day, trying new foods, following hunger/fullness cues, drinking water, and being physically active. The program was delivered in 41 elementary school classrooms to over 940 students.

Implementation insights and barriers to consider moving forward

While numerous gaps and needs were identified through our community-based project, three key barriers were consistently highlighted by stakeholders across a variety of services and sectors:

- 1) Lack of sustainability Notable history of past projects and initiatives that were considered valuable to and impactful in the community, but that had faded from the community due to a lack of sustainable funding.
- 2) Unequal access to programming across neighbourhoods and demographics, and types of programs offered Programming should be delivered in locations across Guelph to ensure access and reach, especially in identified priority neighbourhoods. Programs should be designed in line with participant/parent input and involvement to ensure that they are culturally relevant, meaningful to users, and meeting area-specific needs. A proportion of programs and initiatives should be offered at no or low cost to reduce financial barriers to participation. Programs should be offered during high-risk times for childhood sedentary behaviour (e.g. after school, early evening).
- 3) Transportation Explore a universal transit pass for children and youth in Guelph; alternatively, an "active" pass including free transit and no or low cost programs specifically at high-risk times for sedentary behaviour. A proportion of programs should be offered in community spaces, rather than in centralized locations and facilities. This approach helps create "walk-to" options for participants, which increases accessibility, reduces transportation barriers, and increases social cohesion in respective neighbourhoods.

## **2019 Goals and Objectives**

Funding from the Ontario Ministry of Health and Long-Term Care for the Healthy Kids Community Challenge concluded on September 30, 2018. While the project cannot carry on in its funded state, maintaining the legacy and health-messaging of the project remains a key priority for Recreation Services.

The following initiatives and approaches have been included in the division's 2019 work plan in order to sustain elements of the Energize Guelph project:

- 1) Project Branding
  From the outset of the project, the Guelph Healthy Kids Community
  Challenge was locally branded in order to embed it into Recreation Services
  and create sustainable recognition beyond funding and communication
  support from the Ministry. This branding will remain a component of
  Recreation Services so as to highlight the sustained commitment to children's
  health messaging and programming.
- 2) Energize Guelph "Give it a Try" Subsidy To date, all Energize Guelph programs have been offered at no or low cost to reduce financial barriers to participation. These programs offer both an introduction to non-traditional recreation programming and City of Guelph Recreation programming as a whole, encouraging greater participation and engagement with physical activity and Recreation Services on a long-term basis. An Energize Guelph program fee of \$35 for a 6-week program has

been included in the 2019 User Fee schedule to sustain this commitment and approach beyond Ministry funding.

- 3) Park Activation Program
  Funding from the Ministry of Health and Long-Term Care and the Ministry of
  Culture, Tourism and Sport for this program concluded at the end of 2018.
  Given the community response to this initiative, it will be incorporated into
  Recreation Services. However, the scope and reach of the program will be
  reduced significantly in order to operate within the existing departmental
- 4) Reusable Water Bottle Vending Machine
  Based on current inventory, current sales trends, and revenue from the
  vending machines, this initiative can be sustained without any negative
  impact to the departmental budget for 2019. Beyond this point, alternative
  funding streams will need to be explored in order to sustain the initiative.

# **Financial Implications**

Energize Guelph received \$962,500 in funding from the Ontario Ministry of Health and Long-Term Care: \$275,000/year for 2015-2017 and \$137,500 for 2018. An additional \$50,000/year – 50% of the Project Leadership position – was required to initiate Healthy Kids Community Challenge funding. This cost was included in the Youth Services annual budget.

# **Consultations**

budget.

Below is a collective list of internal and external partners who were involved in this significant initiative.

#### Internal:

Parks and Recreation Department
Water Services
Environmental Services
Corporate Communications
Sleeman Centre, Food and Beverage Services
Human Resources
Building Services
Accessibility Services

#### External:

Upper Grand District School Board Children's Foundation of Guelph-Wellington Guelph Neighbourhood Support Coalition Perpetual Motion Sports and Entertainment Guelph YMCA-YWCA Canadian Mental Health Association Waterloo-Wellington Raise the Bar Intramurals Guelph InMotion Child and Youth Committee
County of Wellington – Growing Great Generations
Guelph Community Health Centre
Shelldale Better Beginnings Better Futures
Balanced Technology Management Committee
Guelph Family Health Team
Wyndham House
Wellington Dufferin Guelph Public Health

# **Corporate Administrative Plan**

## **Overarching Goals**

Service Excellence

#### **Service Area Operational Work Plans**

Our Services - Municipal services that make lives better Our People- Building a great community together Our Resources - A solid foundation for a growing city

## **Attachments**

N/A

## **Departmental Approval**

Lynne Briggs Manager, Recreation Services

Adam Rutherford Program Manager, Programs and Community Development, Recreation Services

# **Report Author**

Eric Pool

Supervisor, Programs and Community Development, Recreation Services

**Approved By** 

Heather Flaherty
General Manager
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519-822-1260 ext. 2588 colleen.clack@guelph.ca

**Recommended By** 

Colleen Clack

Deputy CAO Public Services

Gelo Clack





Presented by Eric Pool

Supervisor of Recreation and Community Development

February 4, 2019



# **Healthy Kids Community Challenge**

# A key part of *Ontario's Healthy Kids*Strategy

The goal of the Healthy Kids Community Challenge is to support the well-being of our children. To help create communities where it's easy for children to lead healthier lives.

秋 次 生 南 第 本 人 大

# **Healthy Kids Community Challenge**

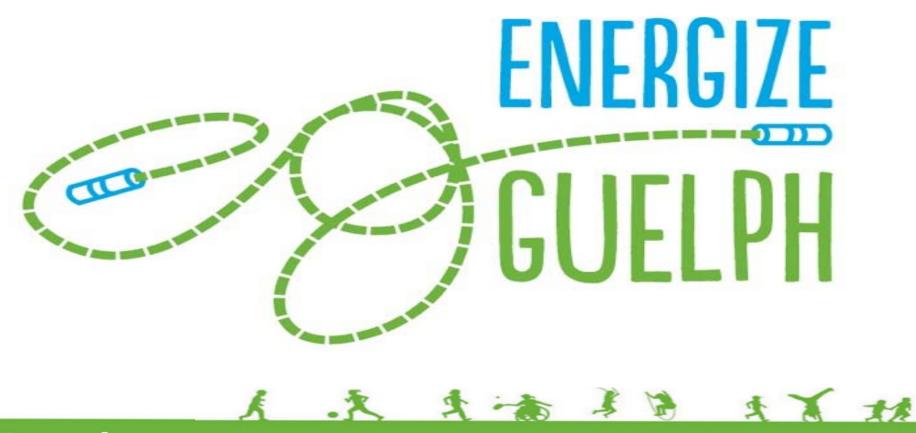
**\$962,500** in funding provided by the Ontario Ministry of Health and Long-Term Care from September 2015- September 2018 to support local initiatives related to 2 children's health priority areas: *physical activity* and *healthy eating* 

**Local initiatives** focused around 4 Ministry provided themes:

- Run. Jump. Play. Everyday.
- Water Does Wonders
- Choose to Boost Veggies and Fruit
- Power Off and Play



# **Energize Guelph**



**Our Brand** 

# **Energize Guelph Accomplishments**





# **Energize Guelph Accomplishments**

- 33 community-based initiatives
- 44 partner organizations
- 18 seasonal and PT positions created
- Programs offered in all 6 Wards



**Upper Grand District School Board** 



**Partnerships** 

# Children's Foundation of Guelph-Wellington

- Publication of Inspiring Kids.
   Inspired Futures.
- Annual support of the Free to Play Program
- Outreach Campaign promoting Children's Foundation programs and registration process
- Funding to support updated registration and database systems





# **CMHA Waterloo-Wellington**

# **FOOD FOR LIFE!**

# EAT WELL AND ENJOY FOOD

# What is it?

- 1 It is a nutrition program with several units geared to different grade levels.
- It is designed to educate children about a variety of nutrition-related topics including how certain foods contribute to our physical functioning, where food comes from, how we can celebrate food and the value of trying new foods.
- 3 It is designed to provide parents, guardians and care-givers nutritious recipes and ingredients, information about what foods their own children tried throughout the program, and guidance about how to discuss nutritious foods and "sometimes" foods positively with their children.



- 4 It is based on the recommendations that Health Canada has provided in Canada's Food Guide and meets The Ministry of Educations' curriculum quidelines.
- 5 There are typically four 1-hour sessions, in which several foods from the Food Guide are offered.



Association canadienne pour la santé mentale Waterloe Wellington

# **Partnerships**

# **Community Partner Team Days**



Drumfit



**Non-traditional Activities and Programs** 



Stand Up Paddleboarding



**Inclusive Wheelchair Tennis** 

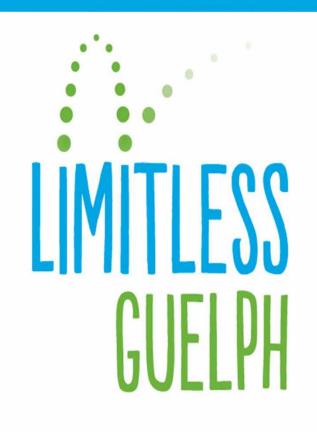


- Creating Healthier Recreation Environments
- Promoting Guelph tap water over sugar-sweetened beverages
- Over 5000 bottles sold or distributed since February 2017

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**Park Activation** 



Park Activation>>



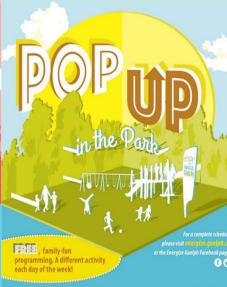
**Legacy Initiatives** 

# **Community Engagement and Events**









**Exhibition Park** Jubilee Park

6:00-7:00PM

Lee Street Park Riverside Park 6:00-7:00PM

**Royal City Park** 

**West End Community Centre** 



























# **Engaging The Community**

# **Thank You**



**Questions** 

# Staff Report



To **Committee of the Whole** 

Service Area Office of the Chief Administrative Officer

Date Monday, February 4, 2019

Subject Internal Audit Work Plan 2019-2021

Report Number CAO-2019-01

#### Recommendation

1. That report CAO-2019-01 Internal Audit Work Plan 2019-2021, dated February 4, 2019 be approved.

# **Executive Summary**

## **Purpose of Report**

To provide the Committee of the Whole with information regarding the 2019 Internal Audit annual work plan as well as a 2018 internal audit activity status update.

### **Key Findings**

- The work plan was developed taking into consideration risk assessment results conducted by Internal Audit, feedback from management, previous audit results, other identified issues/trends and available resources.
- The Plan has been developed in compliance with the City of Guelph's Internal Audit Charter and supports the Corporate Administrative Plan.
- The Work Plan may be modified during the year as appropriate.
- Internal Audit activity is performed in an independent and objective manner.

# **Financial Implications**

Not Applicable

# **Background**

The mandate for Internal Audit, as approved by Council, is as follows:

"To provide independent and objective assurance and consulting activity that is guided by a philosophy of adding value to enhance the operations of the City.

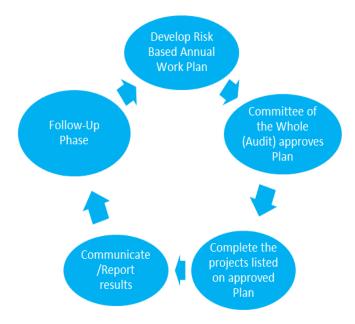
Internal Audit assists the City in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management and internal controls."

Internal Audit is focused on performing an objective assessment of evidence to provide an independent opinion in regard to the effectiveness and adequacy of a process, system or program in order to assist management in achieving their business objectives and goals.

The results of each audit are communicated to management and the Committee of the Whole to assist them in carrying out their governance responsibilities.

In addition to performing audits, the Internal Audit Charter authorizes the Internal Audit department to provide consulting services to staff and management. Consulting projects are requested by Staff and activities include but are not limited to: control advice, facilitation and training. The nature and scope of the engagement are agreed to between staff and Internal Audit prior to the commencement of the project in order to add value and help improve the organization's risk management and control processes. It is important that Internal Audit does not assume management responsibilities during these projects. Results are reported to management.

The following diagram outlines the Internal Audit Process:



#### **Current:**

The Internal Audit annual work plan for 2019 was developed using a risk based methodology approach and complies with City of Guelph's internal Audit Charter mandate and supports the City's corporate administration plan.

The 2019 work plan (attachment 1) sets out the priorities of the Internal Audit department, that are reflective of the City of Guelph's objectives, concerns and the corporate administrative plan priorities; integrated and coordinated with the risk assessment performed by Internal Audit. The specific scope of each project will be determined during the project's planning phase.

There are several factors considered in developing the work plan such as:

- Risk assessment results;
- Last time an area/process was audited;
- Results of previous audits;
- Consideration requests from Management;
- Strength of internal control environment;
- Emerging trends.

The annual work plan may be adjusted throughout the year as issues or concerns are identified. Projects added to the work plan will be identified as a special project and all changes will be communicated to the Committee of the Whole-Audit.

The Plan was also developed taking into consideration the availability of two full time auditors. The expectation is that projects will be completed or in progress by the end of the year.

The proposed 2020 and 2021 work plan (attachment 2) was developed taking into consideration the risk assessment results and may be revised based on audit project results, events during the year and updated risk assessment results.

Internal Audit activities will be conducted in compliance with the International Standards for the Professional Practice of Internal Auditing.

During 2018 Internal Audit hired a full time auditor to assist in completing projects listed on the 2018 approved work plan. All projects listed on the 2018 updated work plan are either completed, in progress or not required (attachment 3). Project Management audit-special project was added to the Plan as a result of the new complement hired mid-year. In addition, Internal Audit facilitated and managed an investigation during 2018. Overall 71% of the projects were completed during the year and 29% are in progress. The two remaining projects in progress are expected to be completed by the end of the first quarter 2019.

All internal audit activity was independently carried out during 2018.

#### **Conclusion:**

The 2019 work plan will be reviewed during the year and updated if necessary. Additional projects added to the Plan will be identified as a 'special project' and communicated during the year to the Committee of the Whole-Audit. The Plan is designed to add value to the City and provide the highest standard of professional, quality and timely solutions in partnership with City departments.

# **Financial Implications**

Not Applicable

#### **Consultations**

The Executive Team has been consulted and supports the proposed work plan.

# **Corporate Administrative Plan**

#### **Overarching Goals**

Service Excellence

#### **Service Area Operational Work Plans**

Our Services - Municipal services that make lives better

## **Attachments**

ATT-1 Attachment 1 Internal Audit Work Plan 2019

ATT-2 Attachment 2 Possible Audit Projects 2020-2021

ATT-3 Attachment 3 Internal Audit Work Plan 2018 Status Update

# **Report Author**

Catherine Spence

**Approved By** 

Catherine Spence
Internal Auditor
(519) 822-1260 x3373
catherine.spence@guelph.ca

# 2019 Internal Audit Work Plan

Name of Project	Type of Audit		
<b>Project Management Audit-Special Project</b> To assess the effectiveness and efficiency of the project management processes and compliance to policies, procedures and legislation.	In Progress		
Enterprise Risk Management Framework Update – Consulting Project To facilitate the review and update of the City`s risk management framework to ensure it continues to be effective in managing risk throughout the City.	In Progress		
<b>Employee Expense Process Audit</b> To assess the effectiveness and efficiency of the processes and compliance to policies, procedures, legislation, etc.	Operational		
Driver Certification Program Compliance Annual Audit-Guelph Transit To access compliance to the Ministry of Transportation criteria	Compliance		
Driver Certification Program Compliance Annual Audit-Fleet Operations To access compliance to the Ministry of Transportation criteria	Compliance		
Cash Handling Process Audit To assess the effectiveness and efficiency of the processes and compliance to policies, procedures, legislation and By Laws	Operational		
Status Report on Outstanding Audit Recommendations Provides an update to Council on management's implementation status of recommendations agreed upon by staff.	Not applicable		
IT Security Controls Audit To assess the adequacy and effectiveness of the internal controls and compliance to policies, procedures, legislation and By Laws	Operational		
<b>Development Fee Process Audit</b> To assess the effectiveness and efficiency of the processes and compliance to policies, procedures, legislation and By Laws	Operational		
Fleet Inventory Audit To assess the adequacy and effectiveness of the internal controls and processes and compliance to policies, procedures, legislation and By Laws	Operational		

# Long Term Audit Plan Proposed Projects for 2020 and 2021

In addition to the cash handling and driver's certification program annual audits Internal Audit has identified potential projects (listed below) that may be performed in 2020 and 2021. The list is based on the current risk assessment results. These projects may be revised based on updated risk results, previous audit results, emerging trends and/or any new projects that are identified during the period.

Possible Project	Service Area	Department		
Property Tax Billing and Collection Process	Corporate Services	Finance		
Building Permit Process	Infrastructure, Development and Enterprise Services	Planning, Urban Design & Building		
Fuel Systems and Security Follow up	Public Services	Operations		
Phone Management Process Audit	Corporate Services	Information Technology		
External Consulting	Corporate Services	Finance		
Vendor/Payment Follow-Up	Corporate Services	Finance		
Hiring Practices/Processes	Corporate Services	Human Resources		
AODA Compliance	Corporate Services	Human Resources		
Winter Control	Public Services	Operations		
Payroll Process Follow Up	Corporate Services	Human Resources		
Fire Services	Public Services	Fire Services		

# 2018 Internal Audit Work Plan Status as of December 31, 2018

Name of Audit/Project	Type of Audit	Status	
Enterprise Risk Management Framework Update To facilitate the review and update of the City`s risk management framework to ensure it continues to be effective in managing risk throughout the City.	Not applicable	In Progress	
Payroll Process Audit To assess the effectiveness and efficiency of the processes and compliance to policies, procedures, legislation, etc.	Operational	Complete	
Driver Certification Program Compliance Annual Audit-Guelph Transit To access compliance to the Ministry of Transportation criteria	Compliance	Complete	
Driver Certification Program Compliance Annual Audit-Fleet Operations To access compliance to the Ministry of Transportation criteria	Compliance	Not Required	
Cash Handling Process Audit To assess the effectiveness and efficiency of the processes and compliance to policies, procedures, legislation and By Laws	Operational	Complete	
Status Report on Outstanding Audit Recommendations Provides an update to Council on management's implementation status of recommendations agreed upon by staff.	Not applicable	Complete	
Project Management Audit-Special Project To assess the effectiveness and efficiency of the project management processes and compliance to policies, procedures and legislation.	Operational	In Progress	
Investigation - Special Project		Complete	

# Staff Report



To Committee of the Whole

Service Area Office of the Chief Administrative Officer

Date Monday, February 4, 2019

Subject Internal Audit Charter Update

Report Number CAO-2019-02

#### Recommendation

That report CAO-2019-02 Internal Audit Charter Update, dated February 4, 2019 be approved.

# **Executive Summary**

## **Purpose of Report**

To provide the Committee of the Whole with an updated Internal Audit Charter.

# **Key Findings**

- The Charter outlines authority, roles and responsibilities of the Internal Auditor and staff at the City of Guelph.
- It describes how the internal audit department will provide value to the City of Guelph, the nature of the services it will provide and the specific focus or emphasis required of internal audit to help the City achieve its objectives;
- In addition, it also establishes the head of internal audit reporting lines, authorizing access to records, personnel, and scope of internal audit.

#### **Financial Implications**

N/A

# Report

An internal audit charter is required as part of the International Standards for the Professional Practice of Internal Auditing. The head of the Internal Audit department (Internal Auditor) is responsible for drafting and updating the charter. The Charter should be reviewed and updated periodically, at least every four years to ensure that it remains relevant to the needs of the City.

The Internal Auditor discusses the details with the Executive Team to confirm it accurately describes the agreed upon role and expectations. It is then presented to the Committee of the Whole for review and approval by Council.

# **Financial Implications**

N/A

#### Consultations

Reviewed the updated Internal Audit Charter with the Executive Team.

# **Corporate Administrative Plan**

## **Overarching Goals**

Service Excellence

#### **Service Area Operational Work Plans**

Our Services - Municipal services that make lives better

### **Attachments**

ATT-1 Internal Audit Charter Update Report

**Report Author and Approved By** 

Catherine Spence Internal Auditor (519) 822-1260 x 3373 catherine.spence@guelph.ca



#### **CITY OF GUELPH**

#### INTERNAL AUDIT CHARTER

#### **MISSION AND VISION**

To provide independent and objective assurance and consulting services designed to add value to help enhance the operations of the City. Internal Audit assists the City in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management and internal controls.

#### **VALUES AND PRINCIPLES**

In carrying out assurance and consulting activities, Internal Audit values and promotes:

- Integrity
- Objectivity
- Confidentiality
- Competency
- Professionalism
- Transparency
- Continuous Improvement

#### **DEFINITIONS**

**Audit Committee:** Consists of all members of the Committee of the Whole.

Roles and responsibilities of the Audit Committee are included as part of the Committee of the Whole Terms of

Reference.

**City Related Boards:** As defined by the City of Guelph.

**Special Project:** Any project added to the approved annual audit work

plan.

**Employee:** Is defined as any employee of the City including those on

contract and volunteers.

**Internal Auditor:** Head of the Internal Audit Department

#### **SCOPE OF WORK**

Scope of work includes but not limited to the examination and evaluation of the adequacy and effectiveness of the City's governance, risk management and internal control systems; reviewing and evaluating compliance to policies, procedures, laws and regulations; assessing the reliability and integrity of information and the safeguarding of assets;

Types of assurance services include but not limited to compliance, operational, financial, forensic, technology, value for money and internal control audits;

Provide advice to management with respect to conducting risk assessments;

Provide consulting services related to internal controls, governance and risk management as requested by management to assist in areas such as: the implementation of a new or revised service or system implementation/upgrade; and

Conduct special investigations.

#### **AUTHORITY**

The Internal Auditor has the authority to conduct financial, operational, compliance, information systems audits, and other special audits/reviews/investigations of all City departments, Mayor and Council Offices, and City Related Boards.

The Internal Auditor with strict accountability for confidentiality and safeguarding records and information has full, free and unrestricted access to all activities, records, physical properties and personnel necessary in carrying out any engagement.

It is the duty of any employee of the City or City Related Board having control of such records to permit the Internal Auditor or designate access and examination when requested subject to applicable legislation. It is also the duty of any employee of the City or Related Board to fully co-operate with and make full disclosure of all pertinent information to the Internal Auditor or authorized designate.

#### STANDARDS OF AUDIT PRACTICE

The internal audit activity governs itself by conforming to The Institute of Internal Auditors' Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing; as well as the City's relevant policies and procedures and the Internal Audit Procedure Manual.

#### INDEPENDENCE AND OBJECTIVITY

The Internal Auditor has unrestricted access to the Chair of the Audit Committee to whom all significant concerns relating to the adequacy and effectiveness of risk management, internal control and governance activities may be reported.

All internal audit activities shall remain free of influence by any element of the City including matters of audit selection, scope, procedures, frequency, timing or report content to ensure auditors maintain their independence and objectivity.

Internal Auditors shall have no direct operational responsibility or authority over any of the activities they review. They shall not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair Internal audit's judgement.

#### REPORTING RELATIONSHIP

The Internal Auditor in the discharge of his/her duties shall be accountable to the Chief Administrative Officer (CAO) administratively and functionally to the Audit Committee.

The Internal Auditor will provide to the CAO a copy of all completed audit reports.

The Deputy Chief Administrative Officers will provide to the Internal Auditor an action plan to address each recommendation prior to finalizing a report.

#### RESPONSIBILITIES OF THE INTERNAL AUDITOR

- 1. Responsible for all internal auditing activities within City departments and related boards including:
  - a. Independent, objective assurance and consulting activity designed to add value and improve the City's operations;
  - b. Help the City accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control and governance processes; and
  - c. Management and coordination of fraud investigation activities within City departments.
- 2. Responsible to maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter;
- 3. Implement the annual work plan approved by Council. In the event a special project is added to the work plan the Internal Auditor will update the Audit Committee as to the impact on the annual work plan schedule;

- 4. Ensure all internal audit activity is performed in conformance with the International Standards for the Professional Practice of Internal Auditing and guidelines and procedures of ISACA for information systems;
- 5. The Internal Auditor will report to Audit Committee at least three times a year;
- 6. Audit results and status of the operating department's progress in implementing recommendations should be communicated to Council, through the Audit Committee
- 7. Provide all audit reports to the Chief Administrative Officer and the Executive Team with the necessary recommendations to maintain the highest standards of stewardship and due diligence over corporate assets, processes and public funds;
- 8. Update the Audit Committee and the Executive Team of emerging trends;
- 9. Provide management with impartial and objective advice related to governance, internal controls and risk management issues;
- 10. Meet with the External Auditor throughout the year as needed;
- 11. Maintain an Internal Audit department quality assurance program; and
- 12. Confirm to the Audit Committee at least annually the organizational independence of the Internal Audit activity.

#### ANNUAL INTERNAL AUDIT WORK PLAN

The Internal Auditor will submit to the Audit Committee for review and approval a three-year risk based work plan that sets out the priorities of the Internal audit function that are reflective of the City's objectives, concerns and priorities; integrated and coordinated with the corporate risk assessment and strategic planning process. Input from the Executive Team will be considered when developing the audit work plan.

### FOLLOW-UP MONITORING AND REPORTING

The Internal Auditor will be responsible for appropriate follow-up on audit recommendations to determine the nature and extent of action taken by management on agreed upon recommendations and will report the results to the Audit Committee annually.

# Staff Report



To Committee of the Whole

Service Area Office of the Chief Administrative Officer

Date Monday, February 4, 2019

Subject Status of Outstanding Management Action Plans -Q2

2018

Report Number CAO-2019-03

#### Recommendation

1. That report CAO-2019-03 Status of Outstanding Management Action Plans-Q2 2018, dated February 4, 2019 be received.

# **Executive Summary**

## **Purpose of Report**

- As part of the City of Guelph's follow-up process management provides regular updates on the status and progress of outstanding audit recommendations to Internal Audit.
- The objective of this report is to provide Committee of the Whole with an update on the progress of the implementation of management action plans as reported by management which were developed to address audit observations.
- The report covers all recommendations that have a due date on or prior to June 30, 2018.

# **Key Findings**

• As at June 30, 2018, 84% of the audit recommendations with an implementation due date of June 30, 2018 or prior have been completed by management. This is a slight decrease from June 30, 2017 which reported 85% completed.

# **Financial Implications**

N/A

# Report

#### Background:

In accordance with Standard 2500 A-1 of the International Standards for Professional Practice of Internal Auditing, Internal Audit established a follow-up process in 2017 to monitor the progress and ensure that management action plans for audit recommendations have been implemented.

Departments are required to provide an update to Internal Audit on the progress of implementing agreed upon audit recommendations. Internal Audit reviews the comments submitted by the department and where necessary, the Internal Auditor will meet with management to discuss their comments. In some cases, a follow up audit will be performed to validate the recommendations have been implemented, and that the processes and procedures in place are operating effectively. Follow-up audits are part of Internal Audit's annual work plan which is approved by Committee of the Whole.

#### Overall:

This report includes updates for audit reports issued by June 2018. It summarizes the status of audit recommendations due to be implemented by management on or prior to June 30, 2018. Long range recommendations (implementation completion date subsequent to June 2018) are noted where applicable.

As of June 30, 2018, 185 or 84% of recommendations were reported by management as complete, 34 or 16% were due to be completed by June 2018 but are in-progress (32) or not started (2) (Table 1).

Of the 34 recommendations due and outstanding, there are 16 or 47% that are more than a year overdue, and 18 or 53% that are overdue one year or less based on the original implementation dates established by management.

#### Analysis:

- **Learning and Development** outstanding recommendations relate to ensuring training budgets and departmental needs are aligned, and to identify software system training requirements for both new and existing employees. Both items have a completion date of fourth quarter 2018.
- The Overtime audit recommendations that are outstanding relate to enhancing management reporting as well as upgrading the time management system. The revised completion dates are noted as the fourth quarter 2018. However, two of the four recommendations outstanding require the implementation of recommendations included in the Kronos Optimization Report from 2012. Management is reviewing the recommendations and assessing whether the remaining outstanding items are addressed as part of the Payroll Audit that was

recently completed. The results will be reviewed with Internal Audit and the Overtime audit outstanding recommendations (#4 and #25) will be updated if needed.

- The **Purchasing Card** outstanding audit recommendation includes finalizing or updating policies where gaps were identified during the audit. The revised completion date remains the fourth quarter of 2018.
- The one recommendation that remains outstanding from the Use of External Consulting audit is the development of a corporate-wide policy to provide guidance to staff to ensure activities are accurate, complete and carried out in a consistent manner. Management's revised implementation date is the third quarter 2018.
- The Vendor/Payment Process Audit outstanding audit recommendations include developing a performance monitoring program for accounts payable and purchasing functions, developing a service level agreement with Guelph Police and Library Services, and implementation of an annual review of the vendor master file details. During the first quarter of 2018 eight recommendations due after June 2018 have been completed.
- The **Single Source Purchase** audit was completed in the fourth quarter 2017 with 20 recommendations identified. Seventeen of these have been addressed and are now completed. Two of the three remaining were due to be completed in the second quarter of 2018 but have not been started. These relate to a review and implementation of changes proposed to the delegation of authority By-laws. The revised dates are now first quarter 2019 for the review and fourth quarter 2019 to present proposed changes to Council for consideration.
- The Fuel Security and Systems Audit outstanding audit recommendations include investigating automation of individual access codes, review of the integrity of system reports, enhancements to vehicle GPS tracking units, implementing site remediation plans, and ensuring compliance of individuals who use city vehicles to the City's Corporate Vehicle Usage Policy.
- One recommendation from the **Solid Waste Curbside Collection audit** remains outstanding. The recommendation for the development of a service level agreement between departments is scheduled to be implemented in the second quarter 2019.
- Many of the Solid Waste Resource Audit recommendations have been implemented however four remain outstanding and once implemented will enhance processes around contract management. Management has revised the completion dates of these to fourth quarter of 2018.

Table 1

Report Issue Date	Report Name	Total	Completed** Total Prior To Current Period	Due by June 30, 2018			Due After June 30, 2018	
				Completed **	In Progress	Not Started	Not Started	In Progress
	Corporate Services							
August 2014	Learning and Development	7	5		2			
October 2013	Overtime	41	36		5			
February 2016	Purchasing Card	10	9		1			
June 2014	Use of External Consulting	4	3		1			
December 2013	Service Guelph	9	8	1				
May 2017	Vendor / Payment Process	52	28	13	9			2
October 2017	Single Source Purchase	20	15	2	1	2		
	Public Services							
January 2017	Fuel Security and Systems	21	9	3	7		1	1
December 2008	Guelph Transit Cash Handling	19	18	1				
	Infrastructure, Dev	elopmen	t and Enterprise	Services				
October 2015	Solid Waste Curbside Collection	16	14	1	1			
June 2016	Solid Waste Resource	16	11		5			
	Office of the CAO							
June 2017	Legal Representation Follow-up	8	6	2				
	Total Count	223	162	23	32	2	1	3

<sup>\*\*</sup>Some recommendations recorded as completed may have an original implementation date beyond the current period.

# **Financial Implications**

N/A

## **Consultations**

Internal Audit received updates from all service areas on the progress related to outstanding management action plans as of June 30, 2018.

# **Corporate Administrative Plan**

#### **Overarching Goals**

Service Excellence

## **Service Area Operational Work Plans**

Our Services - Municipal services that make lives better

## **Report Author**

Robert Jelacic

**Approved By** 

Catherine Spence Internal Auditor (519) 822-1260 x 3373

catherine.spence@guelph.ca

# Staff Report



To **Committee of the Whole** 

Service Area Office of the Chief Administrative Officer

Date Monday, February 4, 2019

Subject River Run Centre Cash Handling Audit Report

Report Number CAO-2019-04

#### Recommendation

That report CAO-2019-04 River Run Centre Cash Handling Audit Report, dated February 4, 2019 be received.

# **Executive Summary**

### **Purpose of Report**

To provide Committee of the Whole with the results of the River Run Centre Cash Handling audit performed to assess the adequacy of the internal controls and compliance to policies, procedures, By-laws and legislation.

# **Key Findings**

- For the purposes of this audit, cash means payments received from customers or other sources made by cash, cheque, debit and credit cards;
- The main areas of cash handling internal controls tested in this audit included safeguarding assets (security measures to protect people and cash assets), accountability (cash transactions are authorized, properly accounted for, documented and identified to specific cash handlers), reconciliations (all cash transactions are recorded correctly), segregation of duties (separate key cash handling duties among different people), and monitoring;
- The River Run Centre cash handling processes includes both the box office ticketing function, and the front of house pre event and intermission refreshment and snack services as requested by clients;
- Internal Audit was unable to assess the adequacy of user's access rights for the Maitre'D system since the required information was not available due to system limitations as per River Run Centre management; and
- Opportunities for improvement were identified and management has agreed to all recommendations with six recommendations completed to date.

# **Financial Implications**

There are no direct financial implications as a result of the audit.

# **Report - River Run Centre Cash Handling Audit**

# **Background**

A review to assess the effectiveness and efficiency of the processes and internal controls related to cash handling for the River Run Centre was conducted. Cash handling processes are administered by both the Ticketing and Event Services, and the Front of House Services teams. They are under the direction of the Facility Manager who reports into Culture, Tourism & Community Investment, a department of Public Services.

The River Run Centre cash handling audit was included as part of the 2018 Internal Audit Work Plan approved by Council in December 2017.

The Ticketing and Event Services team involved in cash handling activities consists of a Supervisor, Box Office Coordinator, Accounting Clerk (shared with the Sleeman Centre), 3 part time Box Office Shift Leaders, and 2 part time Box Office Sellers. The Front of House (FOH) Services team involved in cash handling activities consists of a Supervisor of Audience Services, FOH Coordinator, Volunteer Coordinator, four FOH House Shift Leaders (House Managers) and 6 part time FOH Floor Staff (Floor Supervisors). The River Run Centre also uses volunteers to fulfill various roles including cash handling.

The River Run Centre uses two point of sale systems in handling cash transactions, TixHub and Maitre'D. TixHub is used by the box office to process ticket sales for events, while Maitre'D is used by the Audience Services team to process cash only event sales including alcoholic and non-alcoholic beverages, and snack foods. Cash is also collected for coat check services as well as commission fees generated if an artist sells their merchandise during an event. The two point of sale (POS) systems do not interface with the JDE Edwards accounting system thus all journal entries are manually created and entered.

# **Audit Objectives and Scope**

The objective of the audit is to assess the efficiency and effectiveness of the City's processes and internal controls related to cash handling processes at the River Run Centre.

The scope of the review included:

- Assess the effectiveness of the City's processes and internal controls related to the cash handling processes;
- Assess compliance to applicable policies, procedures, By-Laws and legislation;
   and

Provide management with recommendations.

The scope of the review excluded:

- Payment transactions other than cash, credit/debit, and cheques directly handled at the River Run Centre;
- Activities related to processes subsequent to deposits being taken from the River Run Centre;
- Inventory management processes for the front of house;
- Revenue verification including rental revenue; and
- Verifying Smart Serve certifications.

The audit coverage period subject to testing was for the 2017-18 performance year that runs from September 2017 to June 2018.

# **Executive Summary**

Internal Audit conducted a review of the River Run Centre cash handling processes to assess the adequacy of internal controls and compliance to policies, procedures and legislation. The River Run Centre opened in 1997 and has a 786 seat theatre, which provides residents with access to culturally significant events including concerts and hosting the City's civic and special events. During the 2017-18 performing season, 409 events with approximately 104 thousand patrons in total attendance were held at the facility.

The audit reviewed key areas of cash handling including the safeguarding of assets, ensuring collection of cash is properly documented and secured, authorized and traceable to specific cash handlers, formal and documented policies and procedures exist and are being adhered to, cash handling training programs for staff and volunteers, and management oversight activities.

The audit identified opportunities for improvement in order to strengthen the efficiency and effectiveness of the River Run Centre cash handling processes.

Key opportunities for improvement are summarized below.

### **Security Controls**

Physical security measures are put in place to protect employees including volunteers who handle cash in both the box office and the front of house areas and to minimize the risk of loss.

#### **Physical Security:**

A security risk assessment was performed several years ago and therefore it is recommended, that in conjunction with the Operations Department, Public Services, a security risk assessment be updated to determine the appropriate security measures required to mitigate risks identified to an acceptable level. Security measures may include the additional use of CCTV cameras, installing panic buttons and/or implementing regularly scheduled security patrols at the facility.

River Run Centre staff use a combination of locked areas and safes to ensure cash is secure at all times. In reviewing key and safe management processes for both the Front of House and the Box Office where cash is stored, it was determined that the management of the issuance of keys and safe combinations needs enhancement. The issuance of generic keys reduces the level of accountability of individuals. Keys and safe combinations need to be issued to individuals based on their job responsibilities. Enhance the key and safe combination processes by developing, documenting and implementing procedures to manage both safe combinations and keys that are meant to restrict access to areas where cash is stored and counted by employees. Also, ensure keys are issued to individuals for greater accountability as well. Implement a process where all individuals with a key or knowledge of a safe combination have signed a security agreement in order to be aware of their responsibilities.

Please note that there is additional information included within the confidential attachment.

#### **Segregation of Duties:**

During the review it was identified that more than one key task is being performed by the same individual which increases the risk of error or misappropriation. For example, the same person counts cash, balances to the sales report, and verifies the amount. In addition, an individual counting cash is preparing the journal entry. Cash handling staff responsibilities need to be reviewed with the objective of segregating incompatible duties as required. However, if there is a business reason not to segregate incompatible duties, management needs to implement and document compensating controls to monitor activity of the individuals. Review needs to be maintained on file.

#### **System Access:**

Access control management processes ensure only authorized users obtain access to the systems and users are granted access to only the functions and information they require to complete their job responsibilities.

There are two main point of sale (POS) systems at the River Run Centre related to cash handling activities: TixHub, used by the box office and Maitre'D which is used by the front of house services. For the Maitre'D system, Internal Audit was unable to assess if users have access not required to carry out their job or have incompatible duties since a system report or an on screen view was not available. According to River Run Centre management, the system is unable to produce a user access rights report. The review identified the following enhancements to be implemented:

- a) remove the use of generic user accounts to enhance accountability however, if needed for a business reason, develop compensating controls to track and review activity to ensure its accuracy and maintain evidence on file;
- b) review employees access rights periodically for accuracy based on the need to know need to use principle; and
- c) formal procedures related to the granting of system access be developed that includes but not limited to defining roles and responsibilities.

# **Cash Handling Practices**

Volunteers help the City of Guelph during events at the River Run Centre in various positions including ushers, bartenders and cashiers. This has been the practice since the facility opened in 1997.

It was noted that volunteers (cashiers) handling cash are not held responsible for their cash handling activities. For instance, part time employees rather than the cashiers are counting the cash in the till and balancing cash collected during the event to the system sales report. Also, cashiers have been assigned a generic system user account to process sales which does not allow transactions to be identified by individual. Additionally, volunteers are not required to review and annually acknowledge a Code of Conduct.

In order to enhance cash handling controls for cashiers it is recommended that: a) cashiers are made aware and held responsible for their cash handling activities; b) cashiers are provided a unique system ID for greater accountability; and c) volunteers review and acknowledge a Code of Conduct policy (similar to full time employees).

## **Financial Management**

Financial management controls are implemented in order to ensure cash recorded is accurate, timely and complete.

Reconciliations are performed at the end of an individual's shift and at the end of an event to ensure cash collected agrees with sales and inventory activity. Front of house sell snacks and beverages (alcoholic and non alcoholic beverages) during an event while the box office staff sell tickets to events.

It was noted for the Front of house, cash collected is balanced to the sales activity recorded by the system but cash is not balanced to the inventory movement activity and the reconciliation is not verified timely (within 24 hours).

For both the Front of House and Box Office ensure the reconciliation process is enhanced to ensure reconciliations are accurate, timely and all reconciling items are identified (over threshold) and documented with an explanation.

In addition, implement a process to ensure coat check revenue is assessed for reasonability.

Petty cash and cash float funds are used to reimburse employees for business expenses under \$50 and to make change for customers respectively. The petty cash replenishment and reimbursement process needs to be enhanced to ensure requests are accurate and complete. Also it is recommended, in conjunction with Finance ensure that the City's records reflect accurately the custodian and purpose of the funds at the River Run Centre.

# **Management Oversight**

Developing, formalizing and/or updating procedures in all aspects of cash handling for both the box office and the front of house services will help guide departmental staff and assist in ensuring activities are performed in a consistent and effective manner. These procedures can then be used to facilitate employee training as well.

Oversight of key cash activities is a critical component in identifying trends, and/or possible errors and react to them to minimize risks such as financial or reputational risk. Some key areas to enhance independent oversight include:

- Review on a regular basis cashier/seller key activity to identify specific trends or errors;
- Review cash activity variances (cash collected to sales/inventory reports) by cashier rather than using the net variance amount of all cashiers. Ensure evidence is retained on file.

# **Financial Implications**

There are no direct financial implications as a result of the audit.

## **Consultations**

Findings and recommendations have been discussed with the General Manager Culture Tourism Community Investment and the Deputy Chief Administrative Officer Public Services.

# **Corporate Administrative Plan**

# **Overarching Goals**

Service Excellence

#### **Service Area Operational Work Plans**

Our Services - Municipal services that make lives better

#### **Attachments**

ATT-1 Attachment 1 Closed/Confidential Information Section 239 (2) (a) Security of the property of the municipality or local board

# **Report Author**

Robert Jelacic

**Approved By** 

Catherine Spence Internal Auditor (519) 822-1260 x 3373

catherine.spence@guelph.ca

# Staff Report



To Committee of the Whole

Service Area Corporate Services

Date Monday, February 4, 2019

Subject 2018 Year-end External Audit Plan

Report Number CS-2019-29

#### Recommendation

That report titled 2018 Year-end External Audit Plan and numbered CS-2019-29 be received.

# **Executive Summary**

## **Purpose of Report**

Present KPMG LLP's audit plan for the City of Guelph's 2018 Consolidated Financial Statements.

## **Key Findings**

Staff reviewed KPMG LLP's audit service plan and have no concerns with proceeding as outlined in the attached report.

# **Financial Implications**

The external audit fees were agreed upon in advance through the request for proposal process and have been budgeted for through the annual operating budget.

# Report

Annually, the consolidated financial statements of the City of Guelph are required to be audited by an external auditor and the results of this audit are reported back to Council. It is the auditor's duty to communicate to Council the planned audit approach as well as any findings that are discovered throughout the audit. KPMG LLP is the external auditor for the term 2015 through 2019 as approved by Council through By-law (2015)-19984.

The audit fieldwork began December 2018 with interim testing, and will finish in April 2019 with the final fieldwork. The results of the audit will be reported to Council by KPMG LLP in June 2019. Approval of the final consolidated financial statements by Council is also expected June 2019 at which point the statements will be made available to the public.

Please refer to ATT-1 for the Audit Planning Report for the 2018 Consolidated Financial Statements which will be presented by Audit Partner, Matthew Betik, from KPMG LLP.

# **Financial Implications**

No financial implications are noted. The external audit fees were agreed upon in advance through the request for proposal process and have been budgeted for through the annual operating budget.

## Consultations

No consultations were required.

## **Corporate Administrative Plan**

### **Overarching Goals**

Financial Stability

#### **Service Area Operational Work Plans**

Our Services - Municipal services that make lives better Our Resources - A solid foundation for a growing city

#### **Attachments**

ATT-1 KPMG LLP Audit Planning Report

# **Departmental Approval**

Jade Surgeoner, CPA, CA, CIA Manager or Financial Reporting and Accounting

#### **Report Author**

Jenna Francone, CPA, CA Senior Corporate Analyst, Financial Reporting & Accounting

**Approved By** 

Tara Baker, CPA, CA GM Finance/City Treasurer Corporate Services 519-822-1260 Ext. 2084 tara.baker@quelph.ca **Recommended By** 

Trevor Lee, Deputy CAO Corporate Services 519-822-1260 Ext. 2281 trevor.lee@guelph.ca



# The Corporation of the City of Guelph

**Audit Planning Report for the year ending December 31, 2018** 

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Prepared on December 18, 2018 for a Meeting in February 2019

kpmg.ca/audit



# Table of contents



The contacts at KPMG in connection with this report are:



Matthew Betik Lead Audit Engagement Partner Tel: 519-747-8245 mbetik@kpmg.ca

Brendan Hall Audit Senior Manager Tel: 519-747-8273 bhall@kpmg.ca









### Group audit scope

Our audit consists of multiple components over which we plan to perform audits.

See page 5



#### Audit and business risks

Our audit is risk-focused. In planning our audit we have taken into account key areas of focus for financial reporting. These include:

- Post-employment benefits,
- Obligatory Reserve Fund Revenue, and
- · Tangible Capital assets,
- Accounting for contaminated sites.

See pages 6-13



#### **Audit materiality**

Materiality has been determined based on budgeted revenue. We have determined group materiality to be \$7,000,000.

See page 14







#### Independence & Quality Control

We are independent and have extensive quality control and conflict checking processes in place. We provide complete transparency on all services and follow Committee of the Whole approved protocols.



### Proposed Fee

Proposed fees for the annual group audit are \$93,299.

See page 18



#### Current developments and Audit Trends

Please refer to pages 18-20 for relevant accounting changes relevant to the Company and relevant audit trends...

This Audit Planning Report should not be used for any other purpose or by anyone other than the Committee of the Whole. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Planning Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



# Group Audit Scope

### **Entities in which KPMG performs an audit on are as follows:**

Entities	Scoping
Corporation of the City of Guelph	Audit
Downtown Guelph Business Association	Audit
Wellington-Dufferin-Guelph Public Health	Audit
Guelph Junction Railway	Audit
Provincial Offences Court Program Statement	Special report
Guelph Municipal Holdings Inc., including Guelph Hydro Electric Systems Inc.	Audit







### **Professional Requirements**

Why is it significant?

Fraud risk from revenue recognition

The risk of fraud from revenue recognition has been rebutted



### Our audit approach

This is a presumed fraud risk.

However, the audit team has rebutted this presumption due to the following reasons:

- The presumed fraud risk is ordinarily associated with for-profit enterprises;
- The majority of revenue is calculated based on MPAC data, approved utility rates and user fees, and is not subject to complexity or judgement at the reporting level; and
- KPMG does not believe that the use of inappropriate cut-off would be utilized to perpetrate fraud.





### **Professional Requirements**

Why is it significant?

Fraud risk from management override of controls

This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.



### Our audit approach

As the risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include

- testing of journal entries and other adjustments;
- performing a retrospective review of estimates; and
- · evaluating the business rationale of significant unusual transactions.





### Other areas of focus

Why are we focusing here?

Post-employment benefits

- Estimates and judgements used by management; and
- Complexity of the accounting guidance



- Communicate with management's actuarial specialists;
- Assess the reasonableness of assumptions used;
- Test the appropriateness of the underlying data, including employee populations; and
- We will also use the work of the Nexus Actuarial in our audit of the accounts and disclosures.





#### Other areas of focus

Why are we focusing here?

Obligatory Reserve Funds Revenue and Deferred Revenue

 Revenue recognized from the Development Charge Reserve Fund is subject to judgement as capital projects must be growth related in nature



- Test controls around the recording of revenues/cash receipts;
- Identify and evaluate the operative effectiveness of internal controls over the identification of development charge funding projects and allocation of related expenses;
- Perform substantive testing over amounts being recognized as revenue by ensuring the projects which the development charges are allocated to are appropriate and the related expenditure has incurred; and
- Perform substantive testing over the collections of development charges going into the deferred revenue account.





### Other areas of focus

Why are we focusing here?

**Tangible Capital Assets** 

- Significance of the account balances; and
- Risk of error in inappropriately recognizing costs as either tangible capital assets or expenses



- Discuss capitalization policies and their application with management;
- Test a sample of capital additions to ensure existence and accuracy;
- Test items recorded as repairs & maintenance or other similar accounts to ensure completeness of capital additions; and
- Review of significant work orders.





### Other areas of focus

Why are we focusing here?

Liabilities for contaminated sites

- Significance of the account balance; and
- Complexity, judgement, and estimates involved



- Review management's prepared assessment of contaminated sites;
- Test changes from the prior year; and
- Consider completeness of changes.



### Other areas of focus

Why are we focusing here?

Investments and related income

Significant account

**Taxation Revenue** 

Significant account



## Our audit approach

- Confirmation of details with investment managers.

- Analytical procedures recalculating tax revenue using approved tax rates and related MPAC assessments.





#### Other areas of focus

Why are we focusing here?

User Fees and Service Charge Revenue

Significant accounts under user fees with significant transactions

Expenses

Significant accounts with significant transactions



- Testing of internal controls over cash receipts and recording; and
- Analytical procedures comparing current year's revenues on a disaggregated basis to the current year budget and the prior year, adjusting for known changes in assumptions.
- Analytical procedures comparing current year's expenses on a disaggregated basis to the current year budget and the prior year, adjusting for known changes in assumptions;
- Performing substantive testing to ensure existence and accuracy of expenses; and
- Testing the completeness, existence, and accuracy of yearend accruals, most notably those that contain areas of estimate of judgment.





### Other areas of focus

Why are we focusing here?

Government transfers

Significant accounts with significant transactions

Expenses

Significant accounts with significant transactions



- Review of agreements to ensure proper revenue recognition is followed and to ensure the transfers are authorized and all eligibility criteria and any stipulations are met; and
- Perform test of details on significant transfers.
- Confirmation of debt balances to ensure completeness and accuracy; and
- Examination of borrowing by-laws.



# Materiality

#### **Materiality Benchmark**

Prior Year Revenues \$468,000,000

### **Materiality**

\$7,000,000

1.50% of budgeted revenues

(2017: \$6,700,000, 1.43% of budgeted revenues)





- Misstatements reported to the audit committee
- Materiality for the financial statements as a whole

The misstatement threshold for reclassification misstatement is \$1,000,000 (2017: \$1,000,000).

Materiality represents the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors.

To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality.

#### We will report:



Corrected audit misstatements



Uncorrected audit misstatements

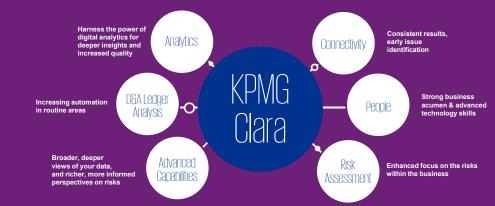




# The audit of today, tomorrow & the future

As part of KPMG's technology leadership, our audit practice has developed technologies and alliances to continuously enhance our capabilities and deliver an exceptional audit experience.

Technology empowers us with deep analysis over your financial information, focusing our effort and interactions on the areas of greatest risk and minimizing disruption to your business.





#### Technology we use today

Tool	Benefit to audit
KPMG Clara Collaboration	KCCC is our secure audit platform and a one-stop shop through which we plan, execute and manage the audit, providing you with real-time access to the process at every step, including exchange of information and access to the real-time reporting you need in one central location.
KPMG Clara Advanced Capabilities	KPMG Clara Advanced Capabilities leverage our data and analytics capabilities, enabling us to analyze 100% of your general ledger data in the planning and account analysis stage and adjust our planned audit approach accordingly to target the areas of greatest risk. It allows us to use automation in performing our audit procedures.
Visualization Tool	Our Visualization tool is a powerful and flexible end-to-end analytics platform which we leverage to display dynamic visualization of your data. This enables us to provide valuable insights to your business throughout our audit process.
Account Analysis Tool	Our account analysis tool provides meaningful general ledger data insights during the planning phase of the audit that can be used to assist the engagement team in obtaining a more thorough understanding of the business processes and underlying flow of transactions through utilization of Account Analysis, Visual Ledger and Journal Entry Analysis functional features. Our tool enables a more precise risk assessment and development of a tailored audit approach.
Journal Entry Analysis	Our journal entry tool assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.
Data & Analytics Routines	Team to add details of specific D&A routines done on the client.





# Key deliverables and milestones







# Proposed fees



In determining the fees for our services, we have considered the nature, extent and timing of our planned audit procedures as described above.

Our fee analysis has been reviewed with and agreed upon by management.

#### Our fees are estimated as follows:

	Current period (budget)	Prior period (actual)
Audit of the financial statements for all consolidated entities	\$93,299	\$91,380

Please note this is the final year of our five-year proposal.



#### Matters that could impact our fee

The proposed fees outlined above are based on the assumptions described in the engagement letter.

The critical assumptions, and factors that cause a change in our fees, include:

- Significant changes in the nature or size of the operations of the Company beyond those contemplated in our planning processes;
- Changes in professional standards or requirements arising as a result of changes in professional standards or the interpretation thereof;
- · Changes in the time of our work;





# Current developments and audit trends

Please visit KPMG's <u>Audit Committee Institute (ACI)</u> / <u>Current Developments</u> page for current developments in IFRS, Canadian securities matters, Canadian auditing other professional standards and US accounting, auditing and regulatory matters. The following is a summary of the current developments that are relevant to the City:

Standard	Summary and implications
PS 3420, Inter-entity Transactions	This standard relates to the measurement of transactions between public sector entities that comprise the government's reporting entity.
	Transactions are recorded at carrying amounts with the exception of the following:  (a) In the normal course of business – use exchange amount  (b) Fair value consideration – use exchange amount  (c) No or nominal amount – provider to use carrying amount; recipient choice of either carrying amount or value fair.  (d) Cost allocation – use exchange amount
	This standard is effective for fiscal periods beginning on or after April 1, 2018 (the City's December 31, 2019 yearend).
	Implications: The City will have to identify these transactions and determine if they have been measured at the carrying amount if required.
Financial Instruments	A standard has been issued, establishing a standard on accounting for and reporting all types of financial instruments including derivatives. The effective date of this standard has recently been deferred and it is now effective for fiscal periods beginning on or after April 1, 2019 (the City's December 31, 2020 yearend).
	Implications: This standard will require the City to identify any contracts that have embedded derivatives and recognize these on the consolidated statement of financial position at fair value. Portfolio investments in equity instruments are required to be recorded at fair value. Changes in fair value will be reported in a new financial statement – statement of re-measurement gains and losses.
	This standard sets out a number of disclosures in the financial statements designed to give the user an understanding of the significance of financial instruments to the City. These disclosures include classes of financial instruments and qualitative and quantitative risk disclosures describing the nature and extent of risk by type. The risks to be considered include credit, currency, interest rate, liquidity, and market risk.





# Current developments and audit trends

Please visit KPMG's <u>Audit Committee Institute (ACI)</u> / <u>Current Developments</u> page for current developments in IFRS, Canadian securities matters, Canadian auditing other professional standards and US accounting, auditing and regulatory matters. The following is a summary of the current developments that are relevant to the City:

Standard	Summary and implications
PS 3280, Asset Retirement	This standard describes how to account for and report asset retirement obligations associated with tangible capital assets.
Obligations	This standard is effective for fiscal periods beginning on or after April 1, 2021 (the City's December 31, 2022 yearend).
	Implications: The City will have to identify if they have any asset retirement obligations.
Public Private Partnerships	In recent years, governments across Canada are increasingly using various forms of public private partnership arrangements for the provision of assets and delivery of services.
	This project is expected to develop in two stages. The first stage will involve contemplating specific issues, including project scope, recognition and measurement of a public private partnership and disclosure requirements. Other issues will also be considered. The second stage will involve determining how to account for public private partnerships.
	The objective is to develop a public sector accounting standard specific to public private partnerships. In the first quarter of 2019, PSAB is expecting to release an Exposure Draft.
PS 3041, Portfolio investments	This section revises and replaces PS 3040, Portfolio Investments. It describes how to account for and report portfolio investments.
PS 3400, Revenue	Currently the Public Sector Accounting Handbook has two sections that address two major sources or revenue, government transfers and tax revenue. This new standard addresses the recognition, measurement and presentation of revenues that are common in the public sector other than government transfers and tax revenue.
	PSAB has approved this section. This standard will be released in the fourth quarter of 2018.





# Current developments and audit trends

Standard	Summary and implications
PS 3250, Employee Benefits	Identified as the top priority in PSAB's 2014 Project Priority Survey, the Board has approved a project to review Section PS 3250, Retirement Benefits, and Section PS 3255, Post-employment Benefits, Compensated Absences and Termination Benefits. Since the issuance of these Sections decades ago, new types of pension plans have been introduced and there have been changes in the related accounting concepts.  This project will involve looking at issues such as deferral of experience gains and losses, discount rates, how to account for shared risk plans, multi-employer defined benefit plans and vested sick leave benefits. Other improvements to existing guidance will also be considered.
	A new, comprehensive Handbook Section on employment benefits will replace the two existing Sections. PSAB have sent out an invitation to comment. In 2019 they will deliberate comments received on three invitations to comment.

Our discussions with you, our audit opinion and what KPMG is seeing in the marketplace—both from an audit and industry perspective—indicate the following is specific information that will be of particular interest to you. We would, of course, be happy to further discuss this information with you at your convenience.

Thought Leadership	Overview	Links
Accelerate	Accelerate is a KPMG trends report and video series that includes the perspective of subject matter leaders from across KPMG in Canada on seven key issues impacting organizations today that are disrupting the audit committee mandate.	http://www.kpmg.accelerate
The Blockchain shift will be seismic	Blockchain technology is a focused disruptor of the very foundations of external and internal audit: financial recordkeeping and reporting. This Audit Point of View article offers insight on how blockchain technology is impacting business and what audit committees should be thinking about to prepare for certain risks.	https://home_kpmg ca/en/home/ insights/2018/02/t blockchain-shift-w seismic.html
Audit Quality 2017	Learn about KPMG's ongoing commitment to continuous audit quality improvement. We are investing in new innovative technologies and building strategic alliances with leading technology companies that will have a transformative impact on the auditing process and profession. How do we seek to make an impact on society through the work that we do?	https://home.kpm content/dam/kpm pdf/2018/01/ kpmg-2017-audit- quality-en.pdf





# The 2018 Auditors' Report



# Highlights of changes to your 2018 auditors' report

Re-ordering of the auditors' report including moving opinion to the first section

Separate section on "Material Uncertainty Related to Going Concern" if a material uncertainty is identified.

Separate section on "Other Information" (e.g. MD&A)

Expanded descriptions of management's, including those charged with governance, assessment of the Entity's ability to continue as a going concern

New description of responsibilities of those charged with governance

Expanded descriptions of management's and auditors' responsibilities

Disclosure of name of the engagement partner



#### Key audit matter reporting

Communicating the key audit matters (KAMs) apply for audits performed in accordance with the Canadian Audit Standards.

KAMs are those matters communicated to those charged with governance, that required significant auditor attention in performing the audit, and in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period.

Currently, the reporting of KAMs in the auditors' report is only applicable when required by law or regulation or when the auditor is engaged to do so.

It is expected that KAM reporting will be required for certain listed entities in Canada starting in 2020.



### Impact to the 2018 auditors' report

Accordingly, your 2018 auditors' report will not include the communication of any KAMs as we have not yet been engaged to communicate them and there is no law or regulation that requires such communication.







Appendix 1: Audit quality and risk management	0
Appendix 2: KPMG's audit approach and methodology	0
Appendix 3: Lean in Audit™	0
Appendix 4: Required Communications	0



# Appendix 1: Audit quality and risk management



KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards. Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems. Visit our <u>Audit Quality Resources</u> page for more information including access to our audit quality report, *Audit quality: Our hands-on process.* 

#### Other controls include:

- Before the firm issues its audit report, Engagement Quality Control
- Reviewer reviews the appropriateness of key elements of publicly listed client audits.
- Technical department and specialist resources provide real-time support to audit teams in the field.

We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every four years.

We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.

We do not offer services that would impair our independence.



All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.

The processes we employ to help retain and develop people include:

- Assignment based on skills and experience;
- Performance evaluation:
- Development and training; and Appropriate supervision and coaching.

We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.

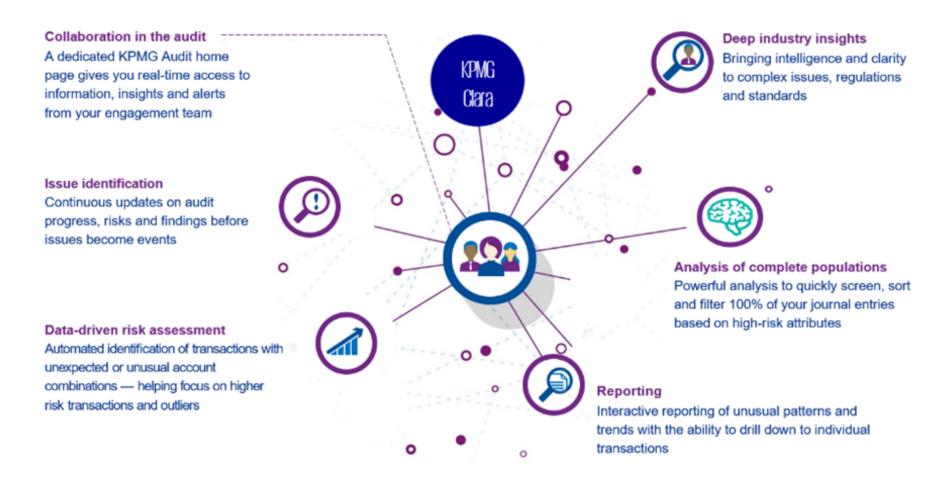
Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.





# Appendix 2: KPMG's audit approach and methodology

This year we will expand our use of technology in our audit through our new smart audit platform, KPMG Clara.







# Appendix 3: Lean in Audit™



An innovative approach leading to enhanced value and quality

Our new innovative audit approach, Lean in Audit, further improves audit value and productivity to help deliver real insight to you. Lean in Audit is process oriented, directly engaging organizational stakeholders and employing hands-on tools, such as walkthroughs and flowcharts of actual financial processes.

By embedding Lean techniques into our core audit delivery process, our teams are able to enhance their understanding of the business processes and control environment within your organization – allowing us to provide actionable quality and productivity improvement observations.

Any insights gathered through the course of the audit will be available to both engagement teams and yourselves. For example, we may identify control gaps and potential process improvement areas, while companies have the opportunity to apply such insights to streamline processes, inform business decisions, improve compliance, lower costs, increase productivity, strengthen customer service and satisfaction and drive overall performance.



#### How it works

Lean in Audit employs three key Lean techniques:



#### 1. Lean training

Provide basic Lean training and equip our teams with a new Lean mindset to improve quality, value and productivity.



#### 2. Interactive workshops

Perform interactive workshops to conduct walkthroughs of selected financial processes providing end to end transparency and understanding of process and control quality and effectiveness.



#### 3. Insight reporting

Quick and pragmatic insight report including your team's immediate quick win actions and prioritized opportunities to realize benefit.





# Appendix 4: Required communications



In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:



#### **Engagement letter**

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter and any subsequent amendment letters as provided by management.



#### Management representation letter

We will obtain from management certain representations at the completion of the annual audit. In accordance with professional standards, copies of the representation letter will be provided to the Committee of the Whole.



#### Audit planning report

As attached.



### Audit findings report

At the completion of our audit, we will provide a report to the Committee of the Whole.



#### Required inquiries

Professional standards require that during the planning of our audit we obtain your views on risk of fraud and other matters. We make similar inquiries to management as part of our planning process; responses to these will assist us in planning our overall audit strategy and audit approach accordingly.



#### Annual independence letter

At the completion of our audit, we will provide a letter to the Committee of the Whole.



CPAB Audit Quality Insights Report (October 2018) (formerly the "Big Four Firm Public Report")





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