



THE REGIONAL MUNICIPALITY OF PEEL

AUDIT AND RISK COMMITTEE

AGENDA

ARC - 1/2019

DATE: Thursday, February 21, 2019

TIME: 9:30 AM – 11:00 AM

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

MEMBERS: S. Dasko; N. Fairhead; C. Fonseca; N. Iannicca; K. Ras; R. Santos; I. Sinclair; R. Starr; H. Zuberi

1. **ELECTION OF THE CHAIR AND VICE CHAIR**
2. **DECLARATIONS OF CONFLICTS OF INTEREST**
3. **APPROVAL OF AGENDA**
4. **DELEGATIONS**
 - 4.1. **Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer, Region of Peel**, Presenting the 2017 Government Finance Officers Association Canadian Award for Financial Reporting to Corporate Finance Staff
5. **REPORTS**
 - 5.1. Audit and Risk Committee Orientation (Oral)
Presentation by Michelle Morris, Director, Enterprise Risk and Audit Services; Jennifer Weinman, Manager, Enterprise Risk and Audit Services; Anila Lalani, Advisor, Enterprise Risk and Audit Services; and Stephanie Nagel, Treasurer and Director, Corporate Finance
 - 5.2. Audit and Risk Committee and Enterprise Risk and Audit Services Charters
 - 5.3. 2019 Enterprise Audit Services Risk Based Work Plan
Presentation by Michelle Morris, Director, Enterprise Risk and Audit Services and Jennifer Weinman, Manager, Enterprise Audit Services

5.4. New Public Sector Accounting Standard: Related Party Disclosures (For information)

6. COMMUNICATIONS

7. IN CAMERA MATTERS

8. OTHER BUSINESS

9. NEXT MEETING

Thursday, April 4, 2019, 11:00 a.m. – 12:30 p.m.
Council Chamber, 5th Floor
Regional Administrative Headquarters
10 Peel Centre Drive, Suite A
Brampton, Ontario

10. ADJOURNMENT

Internal Request for Award Presentation at Regional Council

FOR OFFICE USE ONLY

Meeting Name:

Audit and Risk CommitteeMeeting Date : DD/MM/YY **21/02/2019**Request Date :DD/MM/YY **03/01/2019**

Main Departmental Contact Information

Name Monique Hynes Department Finance

Division Corporate Finance Section Accounting Services Ext. 4212

Award Presentation Information

Provide a brief summary of the nature/purpose of the award presentation

The Region of Peel Finance Department has been awarded the Canadian Award for Financial Reporting from the GFOA for the 2017 Community for Life Report. This is the 17th consecutive award from GFOA and it is the highest form of recognition for excellence in governmental accounting and financial reporting.

Provide a list of all participants

Name S. VanOfwegen, S. Nagel, M. Hynes, S. Calandra, E. Song, R. Lyons, T. Lindley, L. Tomlinson, D. Tung & S.Chen

Title Region of Peel, Finance Staff

Organization Region of Peel

Name _____

Title _____

Organization _____

Provide details of what is to be presented (Photo, Award, Cheque, Plaque, etc.)

Plaque will be presented

Describe the format of your presentation (Power Point, DVD, VHS, Display, etc.)

None

* If the presentation is Power Point will it be provided in hard copy Yes No

* If you replied YES to the above, please prepare your handouts as follows:

- Two slides per page, double-sided, stapled, three-hole punched, 45 copies
- Provide the material, at a minimum, the day before the meeting to Legislative Services

Will there be a photo opportunity? Yes No

Who have you contacted in Communication Services regarding this award presentation?

Name Lee Bethany Ext. 8556

Will circulation of any materials to Councillors at the time of the presentation be required? Yes No

If YES please specify (i.e. pens, cups, brochures)

Note: Delegations to Council shall be limited to speaking no more than five minutes in accordance with Section IV-4 of the Region of Peel Procedure By-law 100-2012. For further information, please contact your **Legislative Services representative**.

Audit and Risk Committee Orientation

Presented by: Enterprise Risk and Audit Services and
Corporate Finance Divisions
February 21, 2019

Agenda

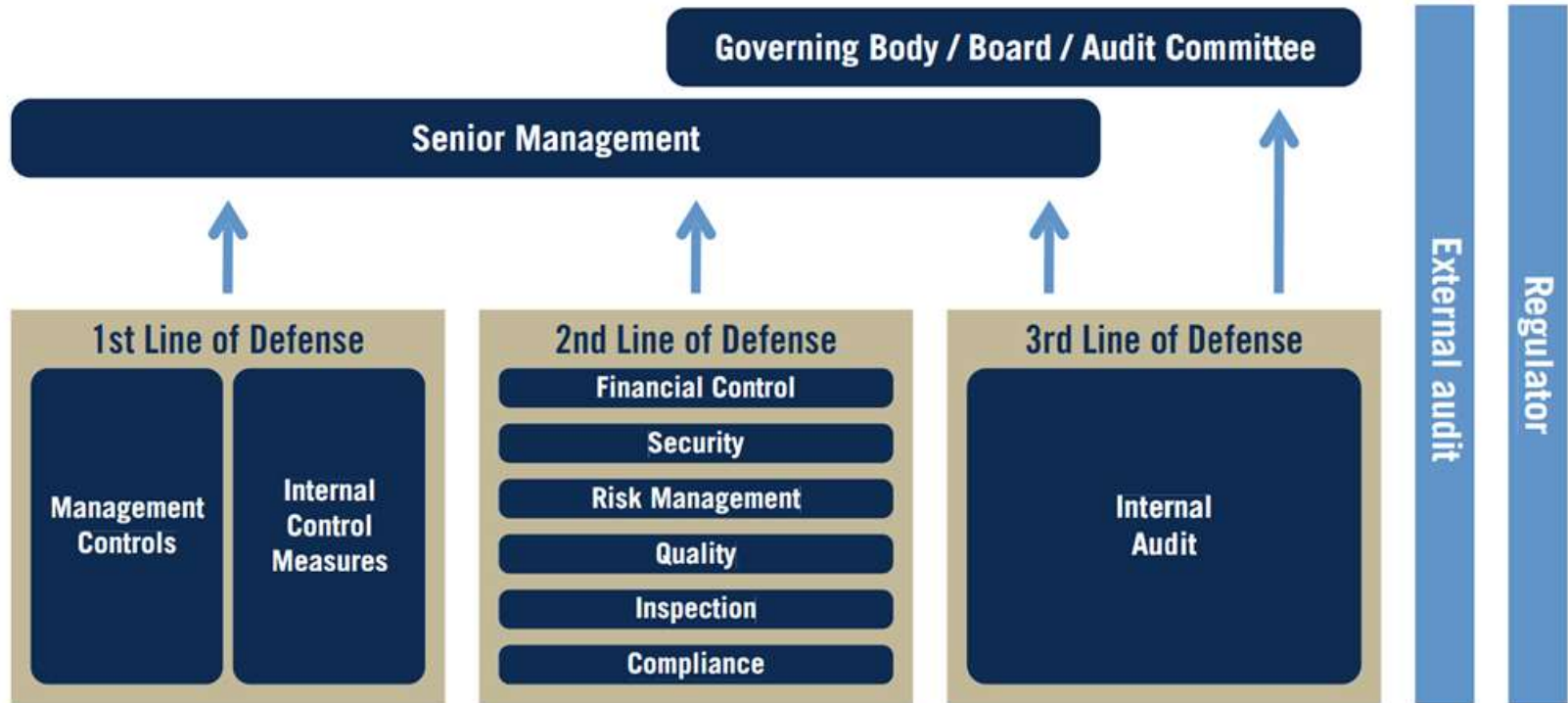
1. Introduction
2. The Three Lines of Defense Model
3. Audit and Risk Committee
4. Enterprise Risk and Audit Services
5. Finance
6. External Audit
7. Q & A

Introduction

- Audit and Risk Committee
- Enterprise Risk and Audit Services
- Finance

Working Together to Improve
Governance, Risk and Control

The Three Lines of Defense Model



Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

Audit and Risk Committee

- Assists Regional Council with governance, accountability and controllership
- Reviews and advises on the financial statements, risk management and control practices
- Assesses the performance of the internal audit activity

Meet the Team



Michelle Morris
Director



Jennifer Weinman
Manager



Anila Lalani
Advisor, ERM



Sean Lee
Advisor, EAS



Lynn Guo
Senior IA



Jiaya Gong
Senior IA



Jayrani Bungsy
Senior IA



Vacant
Senior IA



Carol Lyons
Internal Auditor



Lorraine Bradbury
Coordinator

How We Are Organized

- Purpose
- Authority
- Responsibility
- Independence
- Objectivity

Services Provided

- Assurance
- Advisory
- Fraud Investigation
- Risk Management

Assurance Services

- Annual work plan based on organization risk assessment
- Independent assessment of effectiveness of:
 - governance
 - risk management
 - internal controls
- Assurance is provided in audits reported to Audit and Risk Committee for each project

Advisory Services

- Advisory services include:
 - Internal controls review
 - Advice on new controls
 - Committee participation
 - Training on topics such as internal controls, fraud prevention
- Adds value and provides objective advice
- Client sets objective and scope
- Results reported to client

Fraud Investigation Services

- Investigating fraud allegations
- Providing guidance and advice relating to fraud investigations
- Reporting fraud risks and allegations annually

Risk Management Services

- Enterprise Risk and Audit Services leads the Enterprise Risk Management program on behalf of the Region.
- The primary goal is to create and protect value for the Region by identifying and managing significant risks.

Risk Management Services (cont.)

Risk Management Program includes the following:

- Facilitate the integration of risk management activities with the planning and decision making framework.
- Provide risk advice for Strategic Plan, Term of Council Priorities and organizational priorities.
- Facilitate development of Risk Appetite and Risk Tolerances.
- Build capacity for risk management through training, advice, facilitation and support
- Develop the Corporate Risk Profile.

FINANCE

- Corporate Finance
- External Audit
- Business & Financial Planning
- Treasury Services
- Procurement

Municipal Act Statutory Requirements – Treasurer and External Auditors

- Statutory requirements in *Municipal Act*
- Municipality shall appoint auditor responsible for:
 - Conducting annual audit of accounts and transactions of municipality and local board
 - Performing duties required by municipality or local board

Region of Peel & External Audit Contract

- Regional Council approved appointment of Deloitte for Peel & Peel Housing Corporation
- Peel Housing Corporation formalizes appointment of Deloitte at Annual General Meeting
- Deloitte external auditor for Peel & Peel Housing Corporation for past 8 years

Deloitte Communication with Committee

- Deloitte Annual Service Plan
- Deloitte Audit Results Report

Responsibilities: Corporate Finance vs External Auditors

- Corporate Finance:
 - Co-ordinates external audit
 - Prepares complete consolidated financial statements package
 - Ensures that external auditors receive all requested financial information
- External Auditor:
 - Independently audits transactions and records
 - Presents annual audit results report to Committee
 - Signs annual Independent Auditor's Report which provides unqualified audit opinion

Accounting Policies

- Peel follows Canadian public sector accounting standards as recommended by the Public Sector Accounting Board
- Utilize accrual method of accounting
- Have implemented strong internal controls such as segregation of duties, Procurement By-Law and Financial Management By-Law

Canadian Award for Financial Reporting

- GFOA Canadian Award for Financial Reporting has been awarded annually for 17 years
- Recognizes excellence in governmental accounting and financial reporting

Next Reporting to Audit & Risk Committee

- 2018 financial statements and year end reporting will be reported to Committee on May 2, 2019
- Annual fraud enquiry of Committee
- Deloitte Partner will present the 2018 audit results including management letter
- Treasurer and Deloitte Partner available for Committee members' questions

Other Finance Divisions and Audit and Risk Committee

- Business and Financial Planning
 - Annual Budget and Management Reporting
 - Long Term Financial Planning Strategy
 - Financial Management by-law
 - Reserve Management and Compliance Reporting
- Procurement
 - Procurement By-law
 - Procurement Strategy
- Treasury
 - Cash Management
 - Debt Management
 - Investment Management



Audit and Risk Committee Orientation

Thank you and Questions

Michelle Morris

Director, Enterprise Risk and Audit Services

Stephanie Nagel

Treasurer and Director, Corporate Finance



DATE: February 8, 2019

REPORT TITLE: **AUDIT AND RISK COMMITTEE AND ENTERPRISE RISK AND AUDIT SERVICES CHARTERS**

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

RECOMMENDATION

That proposed revisions to the Charters as described in the report of the Director, Enterprise Risk and Audit Services titled “Audit and Risk Committee and Enterprise Risk and Audit Services Charters”, be approved.

REPORT HIGHLIGHTS

- The Charters are periodically reviewed to ensure they reflect current organizational practices, professional standards and industry leading practices.
- The Audit and Risk Committee Charter and the Enterprise Risk and Audit Services Charter outline the roles and responsibilities of the Audit and Risk Committee and the internal audit function respectively.

DISCUSSION

1. Background

The Audit and Risk Committee Charter and the Enterprise Risk and Audit Services Charter are important components of organizational governance.

The Audit and Risk Committee Charter defines the Committee’s roles, responsibilities, authority and administrative requirements. The Enterprise Risk and Audit Services Charter establishes the division’s position in the Region and defines its overall purpose, authority and responsibility.

The Charters are periodically reviewed to ensure they reflect current organizational practices, professional standards and industry better practices. The Audit and Risk Committee Charter was last revised in June 2018, when the addition of non-elected Committee members was approved. The Enterprise Risk and Audit Services Charter was last revised in February 2015, with the beginning of that term of Regional Council.

AUDIT AND RISK COMMITTEE AND ENTERPRISE RISK AND AUDIT SERVICES CHARTERS

2. Charter Amendments

Both the Audit and Risk Committee Charter and the Enterprise Risk and Audit Services Charter have been updated to reflect the new name of the Enterprise Risk and Audit Services division (“division”). Further, each Charter has been revised as outlined below to make administrative and functional changes.

Audit and Risk Committee Charter

The Audit and Risk Committee Charter (Appendix I) provides guidance to the Audit and Risk Committee members on how the Committee will assist Regional Council in carrying out their governance, accountability and controllership responsibilities. This is done by receiving information about and advising on whether risks are being appropriately addressed through strong governance, a risk management framework, and an effective internal audit function.

The proposed changes and the reason for the change are outlined in Table 1 below.

Table 1

Current Charter Section Number	Current Charter Provision	Revised Charter Section Number	Proposed Charter Provision	Reason for Change
1.3	Approve the integrated risk management plan recommended by the Director of Internal Audit.	N/A	Removed	An integrated risk management plan is no longer prepared; risk management is now embedded within existing planning and decision making processes.
1.3	Review results of the (internal audit function) annual client satisfaction survey.	N/A	Removed	Annual satisfaction surveys are no longer conducted. Surveys continue to be conducted on individual audits.
1.3	Review audit plan status.	3	Review the status and results of any changes to the annual Enterprise Audit Services Risk Based Work Plan.	Clarification that changes to the annual Work Plan will be reported to the Committee.
1.4	The Audit and Risk Committee shall be comprised of the Regional Chair (ex-officio) and up to seven members including the Chair and Vice-Chair of the Enterprise Programs and Services Section of Regional Council,	4	The Audit and Risk Committee shall be comprised of the Regional Chair (ex-officio) and up to eight additional members including the Chair and Vice-Chair of the Enterprise Programs and Services Section of Regional Council, at least one Regional Councillor from each area	Change the number of members to reflect the appointment of eight members to the Committee at the December 13, 2018 meeting of Regional Council.

5.2-3

AUDIT AND RISK COMMITTEE AND ENTERPRISE RISK AND AUDIT SERVICES CHARTERS

Current Charter Section Number	Current Charter Provision	Revised Charter Section Number	Proposed Charter Provision	Reason for Change
	at least one Regional Councillor from each area municipality and up to two members of the public with expertise in the areas of technology and finance.		municipality and up to two members of the public with expertise in the areas of technology and finance.	
1.4	The Audit and Risk Committee Interview Panel shall be comprised of the Regional Clerk, the Director Enterprise Risk and Audit Services, and the Regional Chair.	4	The Audit and Risk Committee Interview Panel shall be comprised of the Regional Clerk, or designate, the Director, Enterprise Risk and Audit Services, or designate, and the Chair or Vice-Chair of the Audit and Risk Committee.	Change to members of the interview panel and provide for the option to have designates if necessary.
1.4	The Term of Appointment of Audit and Risk Committee members, including elected and non-elected members, will be for a period of 24 months, which coincides with the term of appointment for the Chair and Vice Chair of the Enterprise Programs and Services Section of Regional Council.	4	The Term of Appointment for elected members (i.e. Regional Councillors) will be 24 months, which coincides with the term of appointment for the Chair and Vice Chair of the Enterprise Programs and Services Section of Regional Council. The Term of Appointment for non-elected Audit and Risk Committee members (i.e. members of the public) will be 48 months, which coincides with the term of Regional Council.	Correction to the term of appointment to be consistent with other provisions in the Charter.
1.4	Should non-elected members resign before the Term of Appointment expires, a replacement will be appointed by Regional Council to serve the remaining time of the Term of Appointment, following the execution of the non-elected member selection process.	4	Should a non-elected member resign before the Term of Appointment expires, an alternate (as appointed by Regional Council) will replace the member. Should an alternate not be available, a replacement will be appointed by Regional Council to serve the remaining time of the Term of Appointment, following the execution of the non-elected member selection process.	Amendment to reflect the appointment of non-elect alternate members.

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Enterprise Risk and Audit Services Charter

The Enterprise Risk and Audit Services Charter (Appendix II) describes the purpose, authorities and responsibilities of the internal audit activity and the scope and nature of the services it provides. The Charter establishes the reports the Director, Enterprise Risk and Audit Services is accountable to provide to the Audit and Risk Committee. It also outlines the services the division is responsible to provide to the organization.

To support these accountabilities and responsibilities, the Enterprise Risk and Audit Services Charter provides the approved authorities of the Director and staff of Enterprise Risk and Audit Services and the scope of the division's work. In addition, the Charter outlines the requirements the internal audit activity must follow to comply with professional standards and also implement a quality assurance and improvement program.

The proposed changes and the reason for the change are outlined in Table 2 below.

Table 2

Current Charter Section Number	Current Charter Provision	Revised Charter Section Number	Proposed Charter Provision	Reason for Change
N/A	Added	3	Make changes to the annual Enterprise Audit Services Risk Based Work Plan as needed.	Clarification to how changes to the annual work plan are made.
N/A	Added	3	Staff cannot audit areas for which they had responsibility within the previous two years.	Formalize professional standard requirement.
5	Report summary information on risk assessments conducted on business activities.	N/A	Removed	An integrated risk management plan is no longer prepared; risk management is now embedded within existing planning and decision making processes. The Corporate Risk Profile, which outlines key strategic risks, continues to be reported to the Committee.
5	Provide information on the status and results of the annual audit work plan and IRM work plan and the sufficiency of department resources.	5	Provide information on the status and results of any changes to the annual Enterprise Audit Services Risk Based Work Plan and the sufficiency of division's resources.	An integrated risk management work plan is no longer prepared.

AUDIT AND RISK COMMITTEE AND ENTERPRISE RISK AND AUDIT SERVICES CHARTERS

Current Charter Section Number	Current Charter Provision	Revised Charter Section Number	Proposed Charter Provision	Reason for Change
6	Develop Risk Based Internal Audit Work Plan and Integrated Risk Management Work Plan using an appropriate risk-based methodology, including any risks, control or governance concerns identified by management and update those plans annually.	6	Develop an annual Enterprise Audit Services Risk Based Work Plan using an appropriate risk-based methodology, including any risks, control or governance concerns identified by leadership.	An integrated risk management work plan is no longer prepared.

CONCLUSION

The Audit and Risk Committee Charter and the Enterprise Risk and Audit Services Charter represent better practice and support good public sector governance. These documents reflect the important oversight and assurance roles and responsibilities of both the Audit and Risk Committee and the internal audit activity.



Michelle Morris, Director, Enterprise Risk and Audit Services

Approved for Submission:



D. Szwarc, Chief Administrative Officer

APPENDICES

Appendix I - Audit and Risk Committee Charter
Appendix II - Enterprise Risk and Audit Services Charter

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

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



Audit and Risk Committee Charter

1. OBJECTIVE

The objective of the Audit and Risk Committee is to assist Regional Council and associated Boards and Agencies in the discharge of their governance, accountability and controllership responsibilities by advising that risks are being appropriately addressed through strong governance, a risk/control and compliance framework, appropriate stewardship and an effective internal audit activity.

This includes reviewing and advising on:

- The integrity, quality and transparency of the Region's financial, management and operational information.
- The effectiveness of the financial and management reporting processes.
- The effectiveness of risk management and control processes and practices.
- The performance of the internal audit activity and assessing the effectiveness of the external audit function.
- Ethical business conduct and compliance with the Region of Peel's Employee Code of Conduct.

2. AUTHORITY

The Audit and Risk Committee receives its authority to exercise its responsibilities under resolution from Regional Council. The Audit and Risk Committee acts as a forum for communication among Regional Council, senior leadership and the internal and external auditors. The Audit and Risk Committee within the scope of its roles and responsibilities is authorized to:

- Authorize investigations into any matters it deems necessary.
- Obtain any information it needs from internal, external audit and leadership.
- Request the attendance of any employee or external party at the Audit and Risk Committee meetings.
- Discuss any matters with the Director, Enterprise Risk and Audit Services.

3. ROLES AND RESPONSIBILITIES

The responsibilities of the Audit and Risk Committee may be revised by Regional Council resolution. In each of its specific areas of responsibility, the Audit and Risk Committee, through Enterprise Risk and Audit Services or other means, has a responsibility to receive and evaluate information related to areas of risk or vulnerability within the Region of Peel and the agreed upon management actions to effect change in these areas.

Risk Management and Control Framework

Based on information provided by Enterprise Risk and Audit Services and other Regional business functions:

- Review if leadership has a risk management framework and the associated procedures for effective identification and management of the Region's financial, operational, strategic, reputation and compliance risks.
- Review the impact of the risk management framework on the control environment.
- Review and evaluate policies and processes to manage significant risks or exposures and steps taken to monitor risks.
- Review and recommend for Regional Council approval the Corporate Risk Profile.
- Review if leadership's approach to maintaining an effective control framework, including external parties such as contractors and advisors, is sound and effective.
- Review that funds transferred to the Regional financed external organizations and agencies are accounted for and used in a manner consistent with Regional goals and objectives. Enterprise Risk and Audit Services does not have the authority to audit these external organizations unless approved by the applicable governing board. Enterprise Risk and Audit Services do have responsibility to provide assurance that such funds are consistently managed to the standards of care prescribed by the Region].
- Review processes to determine if the organization has in place relevant policies and practices and whether these are periodically reviewed and updated and that they are complied with.

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- Review information and reports that assess key themes and issues affecting risk and control from a Regional perspective.
- Review that leadership has taken steps to embed a culture which is committed to ethical and legal behaviour including compliance with laws, legislation and regulation.
- Review administration of and compliance with the Region's Employee Code of Conduct including the processes for educating and communicating the Code to Regional personnel.
- Review follow-up procedures on management action plans. Review explanations for those not yet implemented.

Internal Audit Activities

- Recommend for Regional Council approval of the Enterprise Audit Services Risk Based Work Plan recommended by the Director, Enterprise Risk and Audit Services.
- Receive audit or engagement reports identifying the key issues and the actions taken to address the issues.
- Review the status of management action plans.
- Recommend for Regional Council approval of the Enterprise Risk and Audit Services Charter and discuss if the appropriate authority, access and reporting arrangements are in place.
- Review the status and results of any changes to the annual Enterprise Audit Services Risk Based Work Plan.
- Review the results of the annual fraud survey on fraud risk and fraud allegations.
- In conjunction with the Director, Enterprise Risk and Audit Services, review Enterprise Risk and Audit Services compliance with the Standards for the Professional Practice of Internal Auditing, including adequate quality assurance practices, appropriate staffing and effective operational management.
- Review the adequacy of resources to allow Enterprise Audit Services to carry out its responsibilities, including completion of the annual and longer term audit plans.

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- Ensure clear and independent communication and reporting lines exist between the Director, Enterprise Risk and Audit Services and the Audit and Risk Committee.

External Audit Activities

- Recommend for Regional Council approval, the appointment of the external auditor for the Region of Peel and Peel Housing Corporation for a five year term.
- Recommend for Regional Council approval, the terms of engagement and fees of the external auditor.
- Recommend for Regional Council approval, the scope and approach of the annual external audit plan.
- Review the independence and qualifications of the external auditor.
- Review matters brought forward that in the external auditor's professional judgment may have a bearing on independence.
- Review the annual management letters by the external auditors and make recommendations to Regional Council and Peel Housing Corporation Board where necessary.
- Consider the external auditor's judgments about the quality and appropriateness of the Region's accounting principles as applied in the Region of Peel and Peel Housing Corporation financial reporting.
- Respond to the external auditor's questions related to the Audit and Risk Committee's view of fraud risk, fraud allegations and the Audit and Risk Committee's role in the Region's fraud program.
- Monitor the coordination of the internal and external audit functions.

Financial and Management Reporting and Financial Statements

- Provide assurance to Regional Council and Peel Housing Corporation Board that information reported by management at the Region of Peel and Peel Housing Corporation reasonably portrays the financial condition, results of operations, plans and long-term commitments of those organizations.

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- Review Region of Peel and Peel Housing Corporation financial statements and recommend approval by Regional Council and the Peel Housing Corporation Board (for example Annual Financial Statements).
- Review management reports which may accompany published financial statements.
- Review with external auditors and management the results of the audit and, if necessary, any qualification to the audit opinion.

4. AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

Reporting Function

The Audit and Risk Committee will serve in an advisory capacity by making recommendations to Regional Council and Peel Housing Corporation Board. The Audit and Risk Committee will be required to report after each meeting to a subsequent meeting of Regional Council and the Peel Housing Corporation Board, as required.

Membership

The Audit and Risk Committee shall be comprised of the Regional Chair (ex-officio) and up to eight additional members including the Chair and Vice-Chair of the Enterprise Programs and Services Section of Regional Council, at least one Regional Councillor from each area municipality and up to two members of the public with expertise in the areas of technology and finance.

All Audit and Risk Committee members will have full voting privileges.

Audit and Risk Committee members are expected to gain familiarity with the Audit and Risk Committee Charter and the Regional Council Procedure By-law 9-2018. Members will be expected to contribute their expertise actively during meetings of the Audit and Risk Committee.

Non-elected Members

Eligibility:

- Be a resident or the owner or tenant of land in the Region of Peel.
- Have a professional accounting and/or information technology designation(s) with a minimum of 10 years' experience.

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- Be independent of the internal or external auditors of the Region of Peel or of a municipality within the Region of Peel.

The Prospective Candidate Cannot Be:

- An elected official of Regional Council or of the Council of a municipality in the Region of Peel.
- An employee of the Region of Peel or of a municipality in the Region of Peel.
- A current vendor or have any other business interest with the Region of Peel or of a municipality within the Region of Peel.

Desired Competencies:

Will include individuals with the following skill set:

- Financial expertise including accountants or auditors with an understanding of financial statements.
- An understanding of risk and financial controls.
- Information technology expertise or background including information management and information security.
- Professionals who in the course of their duties are required to adhere to codes or standards of their profession.
- A minimum of 10 years of professional experience in a complex organization.
- Excellent verbal, written, listening, teamwork, and collaboration skills.
- Experience working on a committee, task force or similar setting.

Non-Elected Member Selection

The terms of reference, section 4 of the Audit and Risk Committee Charter, and an application form will be posted, as a minimum, on the Region of Peel website. The Clerk or

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designate may also contact and solicit individuals who meet the criteria as set out under “Membership” of the Terms of Reference. In addition, advertisements will be placed in local papers.

All applicants for membership will be required to complete an application form outlining their qualifications and experience.

Staff will review applications from prospective candidates to determine if the prospective candidate meets the minimum eligibility requirements as set out above. If the minimum eligibility requirements are met, the Regional Clerk or designate can request that an interview be set up with the Audit and Risk Committee Interview Panel.

The Audit and Risk Committee Interview Panel shall be comprised of the Regional Clerk, or designate, the Director, Enterprise Risk and Audit Services, or designate, and the Chair or Vice-Chair of the Audit and Risk Committee.

After the interview is complete, the Interview Panel shall forward a report to Regional Council with a recommendation regarding the suitability of the prospective candidates. Regional Council shall appoint non-elected members to the Audit and Risk Committee.

The term of membership for new members appointed through this process will coincide with the term of Regional Council.

Non-elected Member Remuneration and Expenses

Non-elected members of the Audit and Risk Committee will serve without remuneration. Non-elected members shall be eligible for reimbursement of expenses incurred which are deemed necessary for full participation in the Audit and Risk Committee.

Term of Appointment

The Term of Appointment for elected members (i.e. Regional Councilors) will be 24 months, which coincides with the term of appointment for the Chair and Vice Chair of the Enterprise Programs and Services Section of Regional Council. Regional Council will ensure each area municipality is represented by appointing an additional member(s) not represented by the Chair and Vice-Chair of the Enterprise Programs and Services Section of Regional Council.

The Term of Appointment for non-elected Audit and Risk Committee members (i.e. members of the public) will be 48 months, which coincides with the term of Regional Council.



Election of Chair and Vice-Chair

The Audit and Risk Committee will elect from its members, including elected and non-elected members, a Chair and Vice-Chair, and this election will be held at the Audit and Risk Committee's first meeting of a new term. There are two 24 month terms during the 48 month municipal election term, therefore the election of Chair and Vice-Chair will be held twice.

Quorum

Quorum shall comprise a majority of the Audit and Risk Committee members.

Interim Changes

Should an elected member of the Audit and Risk Committee resign before the Term of Appointment expires, a replacement will be appointed by Regional Council to serve the remaining time of the Term of Appointment.

Should a non-elected member resign before the Term of Appointment expires, an alternate (as appointed by Regional Council) will replace the member. Should an alternate not be available, a replacement will be appointed by Regional Council to serve the remaining time of the Term of Appointment, following the execution of the non-elected member selection process.

Meetings

The Audit and Risk Committee will be required to meet at least four times each year, and at other times as needed, or at the call of the Audit and Risk Committee Chair.

The Audit and Risk Committee meetings will be open meetings, and all reports and minutes will be available to the public. For the consideration of confidential matters, the Audit and Risk Committee has the authority under Resolution 2000-426 to go In Camera.

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**Audit and Risk Committee Resources**

Audit and Risk Committee resources (staffing, information) will be provided by the Commissioner, Corporate Services; the Regional Clerk; the Director, Enterprise Risk and Audit Services; and, the external auditors. A designate of the Regional Clerk will serve as the secretary to the Audit and Risk Committee and provide administrative support.

Review of Audit and Risk Committee Charter

The Charter will be reviewed every year. Suggested changes will be reported to the Audit and Risk Committee for their recommendation for Regional Council approval.



Enterprise Risk and Audit Services Charter

1. PURPOSE & DEFINITION

Enterprise Risk and Audit Services assists the Region of Peel ("Region") in accomplishing its business objectives by providing a systematic and disciplined approach to help improve the effectiveness of risk management, control and governance processes.

The internal audit activity is an independent, objective assurance and consulting activity designed to add value and improve operations.

2. PRINCIPLES

Professionalism

The internal audit activity governs itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. Internal auditors are required to demonstrate quality and continuous improvement in the work they perform and communicate effectively with stakeholders.

Independence and Objectivity

Internal auditors are independent of the functions they audit. Internal auditors are objective in performing their work. Enterprise Risk and Audit Services provides advice by assisting in identifying risks and working with the organization to improve control and governance but is not responsible for implementing risk mitigation strategies or performing control functions.

Risk Based and Client Focused

Enterprise Risk and Audit Services is involved in all significant business processes, functions and organizational units and work with all levels of leaders to identify and assess risk, control and governance issues. It provides risk-based assurance to the Audit and Risk Committee on the audit projects while facilitates insightful, proactive and future-focused risk advisory work.



Partnerships

Enterprise Risk and Audit Services works with organizational units in partnership to promote a strong governance, accountability and risk management environment in the Region of Peel through assurance, consulting and advisory services.

3. AUTHORITY

The Director and staff of Enterprise Risk and Audit Services are authorized to:

- Have complete independence and not be restricted in the scope, performance or communication of its work. Leadership and the Audit and Risk Committee may provide general direction as to the scope of work and the activities to be audited, and may request Enterprise Risk and Audit Services to carry out special reviews or audits.
- Have unrestricted access to all records, physical properties, functions and personnel necessary to effectively discharge its responsibilities.
- Allocate resources, determine scope of work and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel within the Region of Peel where audits are performed, as well as other specialized services from within or outside the organization.
- Make changes to the annual Enterprise Audit Services Risk Based Work Plan as needed.

The Director and staff of Enterprise Risk and Audit Services are not authorized to:

- Perform any operational duties for the Region.
- Initiate or approve accounting transactions external to the Enterprise Risk and Audit Services division.
- Direct the activities of any employee in the Region not assigned to work in Enterprise Risk and Audit Services division.
- Audit areas for which they had responsibility within the previous two years.



In case of a Regional emergency, to the extent that redeployment of staff may be necessary to support critical functions, the Enterprise Risk and Audit Services division staff may be required to perform otherwise non-audit related duties.

4. SCOPE OF WORK

The scope of work conducted by the Director and staff of Enterprise Risk and Audit Services includes all activities of the Region of Peel and Peel Housing Corporation and their boards, authorities and agencies, as legislation permits.

5. ACCOUNTABILITY

The Director, Enterprise Risk and Audit Services is accountable to leadership and the Audit and Risk Committee to:

- Provide annually, a Corporate Risk Profile that documents the critical risks facing the Region and the mitigation strategies to manage them.
- Provide at least once per term of Regional Council a thematic based report summarizing the audit work conducted.
- Report significant issues related to the processes for controlling the Region's overall business activities, including potential process improvements and provide information through active and constructive resolution.
- Provide information on the status and results of any changes to the annual Enterprise Audit Services Risk Based Work Plan and the sufficiency of division's resources.
- Provide an annual report on fraud risk and fraud allegations.
- Confirm at least annually, the organizational independence of the internal audit activity.

6. RESPONSIBILITY

The Director, Enterprise Risk and Audit Services provides assurance services that include:



- Reviewing services and sub-services to assess the effectiveness of key controls in mitigating risk that may impact the achievement of established outcomes and objectives.
- Providing an overall opinion on the results of an audit.
- Evaluating the potential for the occurrence of fraud and how the organization manages fraud risk.
- Conducting appropriate follow up on audit observations and providing Audit and Risk Committee with an annual status report.

Other Services provided by the Director, Enterprise Risk and Audit Services include:

- Leading the investigation of suspected fraudulent activities reported to Enterprise Risk and Audit Services.
- Coordinating annually a survey about fraud risk, fraud allegations and the Region's fraud program.
- Ensuring quality and continuous improvement is promoted in the Region's risk, control and governance processes.
- Conducting consulting engagements as requested where the scope is defined by leadership or the Audit and Risk Committee.
- Providing advisory services to assist leadership in meeting its outcomes and objectives, examples include risk and control training and involvement in committees.

Enterprise Risk Management is a service that the Director, Enterprise Risk and Audit Services provides on behalf of leadership that include:

- Evaluating the risk management process within the Region to determine that risks are aligned with risk appetite or tolerances and that relevant risk management information is captured and communicated throughout the organization.
- Developing and maintaining the Enterprise Risk Management Framework, Policy and supporting tools and training and monitor their application.



- Facilitating the Enterprise Risk Management Program.

The Director and staff of Enterprise Risk and Audit Services have responsibility to:

- Develop an annual Enterprise Audit Services Risk Based Work Plan using an appropriate risk-based methodology, including any risks, control or governance concerns identified by leadership. The plan must be submitted to the Executive Leadership Team for review and the Audit and Risk Committee for approval.
- Implement the Enterprise Audit Services Risk Based Work Plan, as approved, including as appropriate any special tasks or projects requested by leadership and the Audit and Risk Committee.
- Coordinate the Audit and Risk Committee operations. It is important that the Audit and Risk Committee operates in an efficient and effective manner.
- Review the Enterprise Risk and Audit Services Charter at least annually to ensure that it is up to date and effective.
- Develop and maintain an audit and risk team with versatile skill sets in order to respond effectively to the Audit and Risk Committee, Regional Council and senior leadership needs.
- Develop an Enterprise Risk and Audit Services business plan that includes strategic objectives, outcomes and performance measures and report results to leadership.

7. QUALITY ASSURANCE AND IMPROVEMENT

Enterprise Risk and Audit Services will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the activity's conformance with the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing and the International Standards for the Professional Practice of Internal Auditing and an evaluation of whether the internal auditors apply the Code of Ethics. The program also will assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.



The Director, Enterprise Risk and Audit Services will communicate to leadership and the Audit and Risk Committee about the quality assurance and improvement program, including the results of ongoing internal assessments and the external assessments conducted at least every five years.

8. REPORTING RELATIONSHIPS

- The Director, Enterprise Risk and Audit Services reports to the Commissioner, Corporate Services for administrative purposes and also has full and independent access to the Chief Administrative Officer, the Executive Leadership Team and the Audit and Risk Committee.
- The Director, Enterprise Risk and Audit Services will report to the Audit and Risk Committee at least four times a year and at other times as needed. The Charter for the Audit and Risk Committee is documented separately.

DATE: February 11, 2019

REPORT TITLE: **2019 ENTERPRISE AUDIT SERVICES RISK BASED WORK PLAN**

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

RECOMMENDATION

That the 2019 Enterprise Audit Services Risk Based Work Plan as outlined in the report of the Director, Enterprise Risk and Audit Services, titled “2019 Enterprise Audit Services Risk Based Work Plan”, be approved.

REPORT HIGHLIGHTS

- The 2019 Enterprise Audit Services Risk Based Work Plan (“Work Plan”) was developed based on risk assessment information from various sources and by applying a risk management framework.
- The 2019 Work Plan will remain flexible to address emerging risks and issues throughout the year.
- The 2019 Work Plan is intended to provide the Audit and Risk Committee and senior leadership reasonable assurance that higher risk areas in the Region are being audited.
- Based on the resources approved in the 2019 budget, Enterprise Risk and Audit Services will be able to independently and objectively carry out the audit projects presented in the 2019 Work Plan.

DISCUSSION

1. Background

Enterprise Risk and Audit Services has a responsibility to develop an annual work plan in accordance with *the International Standards for the Professional Practice of Internal Auditing* (“Standards”). The Work Plan is intended to provide the Audit and Risk Committee and senior leadership reasonable assurance that higher risk areas in the Region are being audited.

The 2019 Enterprise Audit Services Risk Based Work Plan was developed to set the priorities for the Enterprise Audit Services activities in 2019. The Work Plan was developed using the following methodology to capture the current and emerging risks:

- Interviews with the Executive Leadership Team members and directors across the organization
- Application of a risk management framework to prioritize areas with higher risk

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2019 ENTERPRISE AUDIT SERVICES RISK BASED WORK PLAN

- Consideration of past audits and auditors' experience
- Corporate Risk Profile

Changes to the Work Plan may be required as risks and issues unfold during the year; therefore, the 2019 Work Plan will remain flexible to allow for in-year requests. Enterprise Audit Services will update the Audit and Risk Committee and the Executive Leadership Team of changes to the Work Plan in accordance with the Enterprise Risk and Audit Services Charter and the *Standards*. The *Standards* require that Enterprise Risk and Audit Services review and adjust the Work Plan in response to changes in the business, risks, operations, programs, systems and controls; and that changes related to the Work Plan be reported.

A third party consultant was contracted to develop a risk based information and technology audit work plan for 2019-2022. Details of the work plan and approval will be sought in April 2019.

2. 2019 Enterprise Audit Services Risk Based Work Plan Highlights and Comments

The audit projects in the 2019 Work Plan are aligned with the current Term of Council Priorities and the Region's Strategic Plan. This alignment helps ensure audits will be conducted on activities and services where associated risks are higher.

In addition to conducting audits, Enterprise Risk and Audit Services also sets aside time in the Work Plan to:

- Respond to requests for control advice
- Follow up on outstanding management action plans
- Conduct investigations as needed
- Promote and advance the Fraud Prevention Program
- Participate in advisory and governance committees

Details of the 2019 Work Plan are presented in Appendix I of this report. There are three tables in Appendix I:

- Table 1 is the audit projects identified to commence in 2019 including background information and associated risk;
- Table 2 is the projects started in 2018 and to be concluded in 2019;
- Table 3 outlines other services provided by Enterprise Audit Services.

The scope and objective of each audit is determined after completion of the audit planning phase. This includes review of background information, discussions with management and the risk assessment.

Based on the resources approved in the 2019 budget, Enterprise Risk and Audit Services will be able to independently and objectively carry out the audit projects presented in the 2019 Work Plan.

2019 ENTERPRISE AUDIT SERVICES RISK BASED WORK PLAN

RISK CONSIDERATIONS

The 2019 Enterprise Audit Services Risk Based Work Plan has been developed using the best available information at the time; it is not exhaustive. Inherently, there is a risk the Work Plan may not have allotted time to a higher risk area. As the Work Plan remains flexible, adjustments will be made should such a situation come to the attention of Enterprise Risk and Audit Services.

CONCLUSION

The 2019 Enterprise Audit Services Risk Based Work Plan was developed to set priorities for Enterprise Audit Services activities for 2019. It is aligned with the current Term of Council Priorities and the Region's Strategic Plan. The Work Plan is intended to provide the Audit and Risk Committee and senior leadership reasonable assurance that higher risk areas in the Region will be audited.



Michelle Morris, Director, Enterprise Risk and Audit Services

Approved for Submission:



D. Szwarc, Chief Administrative Officer

APPENDICES

Appendix I – 2019 Work Plan Audit Projects, 2018 Audit Projects to Be Concluded in 2019, and Other Audit Related Services

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

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

APPENDIX I
2019 ENTERPRISE AUDIT SERVICES RISK BASED WORK PLAN

Table 1 - 2019 Work Plan Audit Projects

Strategic Plan Area of Focus	Service / Sub Service	Last Time Audited	Background and Risk
<p>Living (People's lives are improved in their time of need)</p>	<p>Homelessness Support – Shelter Operations</p>	<p>N/A</p>	<p>One of the Region's service outcomes is that homelessness is prevented in Peel. As part of the homelessness prevention, shelter services are available from the Region. The Region's shelters are operated by third party operators through a contract with the Region.</p> <p>Risk: Without effective controls in place to manage the contracts with shelter operators there is a risk that shelters may not be operated in compliance with contractual requirements.</p>
<p>Thriving (Communities are integrated, safe and complete)</p>	<p>Infectious Disease Prevention – Immunization and Disease Control</p>	<p>2006</p>	<p>The Region provides services to protect the public from infectious diseases. Peel residents of all ages receive confidential counselling and clinical services related to birth control and sexually transmitted infections. Immunization programs are delivered through public health clinics, and vaccines are distributed to all physicians. The efficiency and effectiveness of service delivery is also impacted by increasing population and cases.</p> <p>Risk: Inefficient / ineffective systems, processes and practices may negatively impact the ability to provide services as intended.</p>
	<p>Infectious Disease Prevention – Food and Recreational Water Safety</p>	<p>2006</p>	<p>Public Health Inspectors inspect various establishments in the Region to ensure the mandated environmental health and food safety requirements are met. The Region is also responsible for investigating complaints and concerns about other environmental health issues.</p> <p>Risk: Without effective controls and efficient processes, there is a risk to the objective of the service being achieved.</p>

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2019 ENTERPRISE AUDIT SERVICES RISK BASED WORK PLAN

Strategic Plan Area of Focus	Service / Sub Service	Last Time Audited	Background and Risk
	Roads and Transportation – Transportation Management	2010	<p>The Region has a Traffic Signal Operations and Maintenance Agreement with each of the cities: Brampton and Mississauga, however, the ultimate responsibility for the operation of the signals remains with the Region. The Region also oversees contracts that manage the day-to-day operations and maintenance of traffic signals and provides a system of checks and balances to ensure that certain legal standards are met and maintained.</p> <p>Risks: Without effective controls in place to manage and oversight the contracts, there is the risk that services delivered may not meet the expectations of the Region and the cities', including standards and requirements.</p>
	Land Use Planning – Land Use Development	2011	<p>The Region processes and approves development applications that are submitted to the area municipalities. The Region also provides planning consulting services to Regional departments and agencies. This includes reviewing water and sanitary sewer system expansion, processing applicant connections to Peel's water and wastewater system, storm sewer collection system and expansion on Regional roads to service new development.</p> <p>Risks: Without effective controls in place to manage the operations and cash handling there is a risk that the business outcomes may not be achieved.</p>
Leading (Government is future - oriented and accountable).	Financial Management – Financial Reporting and Accounting	2011	<p>The Region processes invoices and payments for the Region of Peel and Peel Housing Corporation. These payments need to be processed accurately, on time and in accordance with Regional policies and procedures.</p> <p>Risk: Without effective controls in place there is a risk that payments may not be processed in accordance with policies and procedures and unapproved payments may go undetected.</p>

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2019 ENTERPRISE AUDIT SERVICES RISK BASED WORK PLAN

Strategic Plan Area of Focus	Service / Sub Service	Last Time Audited	Background and Risk
	Information and Technology Audit Project	N/A	Enterprise Risk and Audit Services has contracted with an outside consultant to develop an information and technology risk assessment and a three year information and technology related risk based audit work plan. The detailed information and technology risk assessment and the work plan will be presented to the Audit and Risk Committee in April 2019 for approval.
	Financial Management - - Financial Reporting and Accounting	2013	<p>Development charges are collected in accordance with the Region of Peel Development Charges By-law 46-2015. Each of the area municipalities collects development charges on behalf of the Region in accordance with the By-law. Development charges assist in financing capital projects required to meet the increased need for infrastructure resulting from growth and development.</p> <p>Risk: Without effective practices and controls, there is a risk that the Region's portion of development charge collections is not effectively managed and all funds appropriately collected and remitted.</p>

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2019 ENTERPRISE AUDIT SERVICES RISK BASED WORK PLAN

Table 2 - 2018 Audit Projects to Be Concluded in 2019

Strategic Plan Area of Focus	Audit Project	Last Time Audited	Audit Objectives /Background and Risk
Living	Residential Property Management	N/A	<p>To determine if management has implemented effective controls to help ensure the risks associated with the following business objective are managed:</p> <ul style="list-style-type: none"> • Peel Living provides safe and well maintained living environments for tenants. <p>Specifically, the audit will focus on residential properties including:</p> <ul style="list-style-type: none"> • Assessing the effectiveness of controls in place to help ensure properties are safe, secure and in compliance with relevant building laws and regulations. • Assessing the effectiveness of controls in place over preventative maintenance, repairs, and other service requests. • Assessing the effectiveness of controls in place to help ensure contracted services are performed as outlined in the contract with the vendor.
Thriving	Water and Wastewater Billing and Collections	N/A	<p>A new and enhanced water billing system was deployed in 2015. The system is used to bill water and wastewater charges for residents and businesses in the Region. It is important that customer information is managed properly and water and wastewater revenue is collected accurately and timely.</p> <p>Risk: Without effective controls in place, there is a risk that customers may be billed incorrectly and / or payment may be incorrect or delayed.</p>

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2019 ENTERPRISE AUDIT SERVICES RISK BASED WORK PLAN**

Strategic Plan Area of Focus	Audit Project	Last Time Audited	Audit Objectives /Background and Risk
	Sewer Inspection and Collection Process	2008	<p>To determine if management has implemented effective controls to help ensure the following goal of the Environmental Control Section is achieved:</p> <ul style="list-style-type: none"> • Enforcement of the Region’s Wastewater By-law (53-2010) <p>Specifically, the audit focused on assessing</p> <ul style="list-style-type: none"> • Whether there are effective controls in place to help ensure compliance inspections and laboratory analysis results are effectively followed up to support the By-law enforcement. • Whether there are effective controls in place to help ensure surcharges from businesses that have surcharge agreements with the Region are collected effectively and timely
	Road Resurfacing	2010	<p>To determine if management has implemented effective controls over road resurfacing to manage the risks related to the following business objectives :</p> <ul style="list-style-type: none"> • Develop and maintain asset inventories • Ensure a state of good repair in a timely manner • Ensure appropriate maintenance standards are being adhered to for the Regional road network <p>Specifically, the audit will focus on assessing that:</p> <ul style="list-style-type: none"> • the strategies in place to maintain all road surfaces in a state of good repair • the processes in place to procure contracts for resurfacing projects • the processes in place to manage the contracts for resurfacing projects

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2019 ENTERPRISE AUDIT SERVICES RISK BASED WORK PLAN

Strategic Plan Area of Focus	Audit Project	Last Time Audited	Audit Objectives /Background and Risk
Leading	Asset Management – Capital Construction	N/A	<p>The Region provides contract and project management services for Regional owned facilities and Peel Living buildings. The services include contract and project management of facility planning, development, and construction. Construction projects are managed to help ensure the scope and budget are met and completed facilities meet operational requirements.</p> <p>Risk: Without effective controls in place, there is a risk that construction projects may not efficiently and effectively meet operational standards and requirements.</p>
	Corporate Performance - Energy Management	N/A	<p>The Region is committed to understanding and addressing climate change impacts and challenges faced by the Region, which includes reducing the Region’s corporate greenhouse gas emissions. Further, it involves ensuring energy management measures are effectively integrated and implemented into decision making.</p> <p>Risk: Without effective strategy and controls in place, there is a risk that the objectives of the program may not be achieved.</p>

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**APPENDIX I
2019 ENTERPRISE AUDIT SERVICES RISK BASED WORK PLAN**

Table 3 - Other Audit Related Services

Strategic Plan Area of Focus	Audit Service	Description
Leading	Advisory Services	<p>Risks and issues emerge and evolve throughout the year. Enterprise Audit Services sets aside time to handle special projects, assignments and advisory work. The objective is to be proactive by addressing client needs on the front-end of changes and new initiatives.</p> <p>In addition, Enterprise Audit Services may be asked to sit on committees or provide education and training as a way to provide proactive control advice to management.</p>
	Follow-up on Enterprise Audit Reports	<p>Audit staff follow up on outstanding audit observations and management action plans from audit reports that have been previously reported to the Audit and Risk Committee.</p>
	Fraud Prevention Program	<p>This service is to advance and promote the fraud prevention program as defined in the Fraud Prevention Policy. The Director, Enterprise Risk and Audit Services has the lead responsibility for advancing, promoting and educating the organization about the fraud prevention program.</p>
	Investigations	<p>The Region is committed to protecting its revenue, property, proprietary information and other assets from any misuse or misappropriation of those assets. It is the Region's intent to fully investigate any suspected acts of 'fraud' as defined in Fraud Prevention Policy. The Director, Enterprise Risk and Audit Services has the lead responsibility for conducting fraud related investigations.</p>



2019 Enterprise Audit Services Risk Based Work Plan

Michelle Morris,
Director, Enterprise Risk and Audit Services
Jennifer Weinman,
Manager, Enterprise Audit Services



Background

Professional Internal Audit Standards require:

- risk-based plan be established to determine the priorities of the internal audit activity, consistent with the organization's goals.
- Specifically
 - Develop an annual risk based work plan
 - Submit work plan to Audit and Risk Committee for review and approval
 - Update Committee and Executive Leadership Team of changes to the work plan

Purpose

- 2019 Enterprise Audit Services Risk Based Work Plan:
 - Provides reasonable assurance that higher risk areas will be audited
 - Aligns with Terms of Council Priorities and Regional Strategic Plan
 - Reflects current and emerging risks
 - Remains flexible for in year request



Methodology

- Risk based methodology used to develop the work plan includes:
 - Interviews with commissioners, directors and other staff
 - Application of risk management framework
 - Consideration of past audits, auditors' experience
 - Input from the Regional Corporate Risk Profile



Region of Peel Risk Universe

Corporate
Risk

Risk

Vision: Community for life

Living
People's lives are improved
in their time of need

Thriving
Communities are integrated
safe and complete

Leading
Government is future-
oriented and accountable

Term of Council Priorities

Services

Sub-services and Processes

Risk

Audit

Risk Based Work Plan Components

- Three components of the work plan:
 - Audit projects that will commence in 2019
 - Projects started in 2018 to be concluded in 2019
 - Other types of audit related services
- Work plan is flexible and leaves room for in year requests for audit services

2019 Work Plan Alignment with Strategic Plan

Living	Thriving	Leading
<p>People's lives are improved in their time of need</p>	<p>Communities are integrated, safe and complete</p>	<p>Government is future-oriented and accountable</p>
<ul style="list-style-type: none"> • Homelessness Support–Shelter Operations 	<ul style="list-style-type: none"> • Infectious Disease Prevention– Immunization and Disease Control • Infectious Disease Prevention–Food and Recreational Safety • Transportation Management–Traffic Signal Operations • Land Use Planning– Land Use Development 	<ul style="list-style-type: none"> • Financial Reporting and Accounting–Accounts Payable • Information and Technology Audit Project • Financial Reporting and Accounting– Development Charges

Conclusion

- Audit projects cover higher risks identified
- Enterprise Audit Services has sufficient resources to carry out the audit projects noted in the work plan



Thank you!



For Information

DATE: February 7, 2019

REPORT TITLE: **NEW PUBLIC SECTOR ACCOUNTING STANDARD: RELATED PARTY DISCLOSURES**

FROM: Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer

OBJECTIVE

To inform the Audit and Risk Committee of a new Canadian Public Sector Accounting Standard Section PS 2200 Related Party Disclosures, in effect for 2018 year-end, requiring municipalities to disclose any related party transactions that meet specified criteria within the notes to the consolidated financial statements.

REPORT HIGHLIGHTS

- All municipalities are required to comply with the Canadian Public Sector Accounting Standards, as specified in the *Municipal Act, 2001, S.O. 2001, c.25*, as amended.
- All municipalities are required to disclose in the notes to the consolidated financial statements if there are any related party transactions that occurred between January 1, 2018 and December 31, 2018, if they are considered to be of material value, and if the value of the transaction is different than it would be if the transaction happened with an unrelated party.
- The Region and its consolidated entities have policies in place that govern conflict of interest disclosures made by staff, Members of Council, Board Members and vendors. No issues have been identified through these processes and therefore no changes to these processes are required.
- A new internal reporting process has been developed in order to meet the requirements of the new accounting standard.

DISCUSSION
1. Background

As reported to the Audit and Risk Committee on September 20, 2018 in the Deloitte 2018 Audit Service Plan, a new Canadian Public Sector Accounting Standard *PS 2200 Related Party Disclosures* (PS 2200) is in effect for 2018 year-end. This is a new reporting standard that applies to all of the Region's consolidated entities, which includes Peel Regional Police and Peel Housing Corporation.

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NEW PUBLIC SECTOR ACCOUNTING STANDARD: RELATED PARTY DISCLOSURES

PS 2200 defines a related party as two parties who have a pre-existing connection and one party has the ability to exercise control or shared control over the other. Related parties can be identified through individuals classified as key management personnel, along with their close family members.

Key management personnel can be defined as those who have the authority and responsibility for planning, directing and controlling the activities of the entity. Close family members include an individual's spouse and those dependent on either the individual or the individual's spouse.

A related party transaction is when a transfer of economic resources or obligations between the related parties has occurred, regardless of whether cash is exchanged. PS 2200 requires a note to be disclosed in the Region of Peel's consolidated financial statements, if there are any related party transactions that are considered to be of material value, and if the value of the transaction is different than it would be if the transaction happened with an unrelated party.

2. Peel's Implementation Approach

Identification of Key Management Personnel

To implement PS 2200, staff had to identify who is considered key management personnel for each of the Region's consolidated entities. The key management personnel identified below are based on a staff review of the Designated Signing Authorities outlined in Schedule 1 of the Region's Document Execution By-law 32-2017.

Entity	Key Management Personnel
Region of Peel	All Members of Council, Regional Chair, Chief Administrative Officer, Commissioners, Regional Solicitor, Regional Clerk, Director of Procurement, Director of Treasury Services, Treasurer and Director of Corporate Finance, Director of Real Property Asset Management
Peel Housing Corporation	All Board Members, General Manager, Treasurer, Deputy Treasurer
Peel Regional Police	All Board Members, Chief's Management Group, Civilian Directors

The identified key management personnel can change in the future based on staff's ongoing review of transactions and authority levels as defined in various Regional policies and by-laws.

Review of Existing By-laws and Policies

To determine whether any related party transactions exist, staff reviewed the Region of Peel's existing by-laws and policies that govern conflict of interest declarations. A summary of the processes around declared conflicts of interest within the Regional by-laws and policies have

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NEW PUBLIC SECTOR ACCOUNTING STANDARD: RELATED PARTY DISCLOSURES

been provided below. It is important to note that Peel Housing Corporation and Peel Regional Police follow similar policies.

A. Council Code of Conduct By-law 1-2017

Under the Council Code of Conduct By-law 1-2017, the Regional Chair and Members of Council are required to be aware of and understand the legal obligations of various pieces of legislation, including the *Municipal Conflict of Interest Act, R.S.O. 1990, c. M.50* (the "Act").

In section 5.1 of the *Act*, it indicates that if a Member has a pecuniary interest, direct or indirect, in any matter and is present at a meeting of the Council or local board at which the matter is the subject of consideration, the Member must disclose the interest and its nature and shall not take part in the discussion or vote or attempt to influence the voting. The *Act* also specifies that the pecuniary interest, direct or indirect, of a parent or the spouse or any child of a member, if known to the member, is also deemed to be the pecuniary interest of the member.

The requirement to disclose the conflict of interest by Members of Council and the requirement to recuse themselves from a vote if a conflict of interest is declared are stipulated in the Region's Procedure By-law 9-2018 section 5.12 and 7.1.10 respectively.

B. Employee Code of Conduct HR02-01

Section 2 of the Employee Code of Conduct HR02-01 policy defines what is considered to be a conflict of interest, whether it involves a direct personal interest or indirect personal interest. Section 3 requires the employee to make a full written disclosure of the conflict of interest to their immediate supervisor, providing details of the conflict. The immediate supervisor shall take such steps as may be reasonable in the circumstances, to ensure the employee is not required to deal with the matter giving rise to the conflict of interest.

C. Procurement By-law 30-2018

Part VIII of the Procurement By-law 30-2018 prohibits any goods or services being procured from Members of Regional Council, Board Members, employees or their family members, other than those services normally required under terms of employment. The By-law also includes a list of who is considered to be a family member, which is more comprehensive than what is used for the purposes of PS 2200, as it extends beyond a spouse and any dependents.

Staff, who participate in a procurement process, are also required to disclose any conflicts of interest, in accordance with the Employee Code of Conduct. Vendors are obligated by the terms of the Region's procurement document to disclose any conflicts that they become aware of while participating in a procurement process.

When a conflict of interest is disclosed, Procurement staff, with the assistance of Legal Services when required, evaluate the conflict of interest and determine the measures that should be taken to address the conflict. The methods used to address a conflict vary depending upon the nature of conflict and the risk that the conflict poses to the procurement and the Region.

Where a member of Regional staff identifies a conflict with a particular procurement, the measures for managing the conflict may include various risk mitigation measures; or the

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NEW PUBLIC SECTOR ACCOUNTING STANDARD: RELATED PARTY DISCLOSURES

removal of the staff member from the procurement development, evaluation or project team through the assignment of alternate work.

Where a vendor declares a conflict of interest, the measures for managing the conflict may include the establishment of a risk mitigation plan, agreed to by both parties; or execution of non-disclosure agreements between the agency and the vendor; or public disclosure of the conflict to all vendors in the interest of fairness; or restricting the vendor's ability to participate in the procurement process.

New Internal Reporting Process

No issues have currently been identified through the processes described above; however conflict of interest declarations are not held in a central repository and therefore make it difficult to use this information for the purpose of meeting the PS 2200 requirements.

Accounting Services staff are working with Procurement and Clerks staff to look at whether a central repository can be created in the future for all conflict of interest declarations.

In consultation with our external auditors and other municipalities, a new annual reporting process has been created to identify any related party transactions through staff identified as key management personnel. Staff who have been identified as a member of key management personnel are required to provide confirmation to Accounting Services on an annual basis, whether they are aware of any related party transactions that have occurred between January 1 and December 31 of the given year. This new requirement, along with a Frequently Asked Questions document, has been communicated to affected staff in the email communication provided in Appendix I.

Staff in Director roles that are not considered to be key management personnel have been made aware of this new reporting requirement and have been asked to self-report any identified related party transactions that meet the criteria to Accounting Services staff.

This new reporting process applies to all three consolidated entities and has been communicated to all affected staff in January 2019 to ensure they are aware of the requirement to report for 2018 year-end. Accounting staff will use the information collected to determine if any related party transactions meet the criteria outlined in PS 2200 and result in a note disclosure within the financial statements.

Members of Council, Regional Chair and Board Members

Due to the municipal election and resulting changes in Members of Council and Board Members, a temporary approach has been used for 2018 year-end to identify any related party transactions through Members of Council and Board Members. A review of all Council, Committee and Board meeting minutes for 2018 will be completed to review for any pecuniary interest declarations and any possible related party transactions.

Effective 2019 year-end, an email communication will be sent on an annual basis to Members of Council and Board Members, requesting confirmation of whether any related party transactions have occurred for that given year. This will allow for all key management personnel, including staff and Members of Council or Boards, to follow the same reporting process.

NEW PUBLIC SECTOR ACCOUNTING STANDARD: RELATED PARTY DISCLOSURES**3. Findings**

Staff do not anticipate any related party transaction note disclosures in the 2018 consolidated financial statements since the Region's policies do not allow such a transaction to occur.

A general note disclosure will be included in the financial statements to provide a high level description of the key terms in PS 2200 and indicate whether any related party transactions have occurred in 2018 that meet the disclosure criteria.

CONCLUSION

The Region's consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards, as required by the *Municipal Act, 2001*. The new PS 2200 Related Party Disclosures accounting standard is in effect for 2018 year-end and has resulted in a new annual internal reporting process in order to meet year-end audit requirements. The new accounting standard has been effectively communicated and implemented by staff.



Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer

Approved for Submission:

D. Szwarc, Chief Administrative Officer

APPENDICES

Appendix I – Email Communication to Key Management Personnel Regarding Related Party Disclosures Reporting Process

For further information regarding this report, please contact Stephanie Nagel, Treasurer & Director of Corporate Finance, ext. 7105, stephanie.nagel@peelregion.ca

Authored By: Sandy Calandra, Supervisor, Analytical Support

APPENDIX I

NEW PUBLIC SECTOR ACCOUNTING STANDARD: RELATED PARTY DISCLOSURES

Email Communication to Key Management Personnel Regarding Related Party Disclosures Reporting Process

Subject: Call to Action: New Internal Reporting Requirements due to New Related Party Disclosures Accounting Standard

Hello,

You are receiving this communication because you have been identified as a member of the Region's key management personnel.

A new accounting standard has come into effect for 2018 year-end called ***PS 2200 Related Party Disclosures***. This accounting standard is a new reporting standard that requires a note to be disclosed in the Region of Peel's consolidated financial statements, if there are any related party transactions that are considered to be of material value, and if the value of the transaction is different than it would be if the transaction happened with an unrelated party. We do not anticipate any note disclosures since the Region's policies do not allow such a transaction to occur.

Meeting the requirements of this new standard is important because the Region of Peel follows the Canadian Public Sector Accounting Standards, due to a legislative requirement of the *Municipal Act, 2001*.

This new accounting standard has resulted in a new annual internal reporting requirement, where any related parties and related party transactions must be reported to the Accounting Services team. Current processes are already in place where conflicts of interest are disclosed by staff and vendors through the Purchasing By-law 30-2018 and Employee Code of Conduct Policy HR02-01. No issues have currently been identified through these processes; however any disclosed conflicts of interest are not held in a central repository and therefore make it difficult to use this information for the purpose of meeting the *Related Party Disclosures* accounting standard requirements.

As a result, the Accounting Services team is requesting all members of key management personnel to confirm whether you have any identified related parties and related party transactions and the transaction has occurred between January 1, 2018 and December 31, 2018, to please report them to Sandy Calandra, Supervisor of Analytical Support, sandy.calandra@peelregion.ca.

Since you have been identified as a member of key management personnel, we require confirmation from you whether any related party transactions exist by January 31, 2019 to ensure we meet the external audit requirements for 2018 year-end.

To determine whether you have any identified related parties and related party transactions to report, a list of key definitions has been provided below:

- A **related party** is when two parties have a pre-existing connection and one party has the ability to exercise control or shared control over the other.
- Related parties can be identified through individuals identified as key management personnel and their close family members.

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- A **related party transaction** is a transaction that takes place between two parties who hold a pre-existing connection prior to the transaction.

If you have any questions regarding these reporting requirements, please refer to the attached Frequently Asked Questions document or contact Sandy Calandra at 905-791-7800 x4851 or sandy.calandra@peelregion.ca.

Thank you for your cooperation.

FREQUENTLY ASKED QUESTIONS

1) Why does Peel Region comply with Canadian Public Sector Accounting Standards?

The Region of Peel's annual consolidated financial statements and the Peel Housing Corporation financial statements are prepared in compliance with Canadian Public Sector Accounting Standards, established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada. This is a legislative requirement of the *Municipal Act, 2001*.

2) Why am I being asked to report related party transactions to the Accounting team?

In order to comply with the accounting standard, all related party transactions must be identified and assessed to determine if it meets the disclosure requirements.

Currently, there are conflict of interest disclosures made through the procurement process, as well as through the Employee Code of Conduct policies. Unfortunately, there is no central repository that holds this information, so a new internal process is required to collect the information.

Conflicts of interest occur when, in the course their duties, an individual is called upon to deal with any matter in which he or she has a direct or indirect personal interest, whether or not the individual acts or intends to act in a way which is inconsistent with the interests of the Region.

3) What is a related party?

A related party is when two parties have a pre-existing connection and one party has the ability to exercise control or shared control over the other. Pre-existing connections between the Region of Peel and other organizations can be identified through individuals that are members of key management personnel and their close family members.

There are a few questions that you can ask yourself to determine whether you have any identified related parties:

- Do you or your close family members hold an ownership interest in an organization that does business with the Region? Does that ownership interest allow you or your close family member to govern or share the power to determine the ongoing financial and operating decisions of that entity?
- Are you or your close family members considered to be a member of key management personnel for an organization that does business with the Region? What is the level of influence do you or your close family member have over the

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decision-making process of both entities and what is the likelihood that the individual is able to affect the policies of both entities in their mutual dealings?

4) Who are considered key management personnel?

Key management personnel at the Region of Peel includes members of Council, the Regional Chair, CAO, Commissioners, Regional Solicitor, Regional Clerk, Director of Procurement, Director of Treasury Services, Treasurer and Director of Corporate Finance, and Director of Real Property Asset Management. It also includes senior management of entities that are consolidated for financial statement purposes (Peel Housing Corporation and Peel Regional Police).

Please note the list of identified key management personnel can change in the future based on our ongoing review of transactions and authority levels as defined in various Regional policies and by-laws.

5) Who is considered a close family member of key management personnel?

Close family members include an individual's spouse and those dependent on either the individual or the individual's spouse. A dependent can include a parent or child.

6) What is a related party transaction?

A related party transaction is a transaction that takes place between two parties who hold a pre-existing connection prior to the transaction. The transaction can be a transfer of economic resources or obligations between related parties, regardless of whether cash is exchanged.

7) What are some examples of related parties and related party transactions?

Some examples of possible related parties include:

- The spouse of a member of the Region's key management personnel owns a construction company that does business with the Region.
- A member of key management personnel sits on the Board of Directors for an organization that receives funding from the Region.

Some examples of related party transactions include:

- The spouse of a member of the Region's key management personnel owns a construction company that was awarded a contract to do work for the Region.
- The dependent of a person classified as key management personnel sold land to the Region of Peel at a lower or higher value than a non-related/market transaction.

8) What is the disclosure requirement for related party transactions?

The accounting standard requires a note to be disclosed in the Region of Peel's consolidated financial statements, if there are any related party transactions that are considered to be of material value, and if the value of the transaction is different than it would be if the transaction happened with an unrelated party.

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We do not anticipate any note disclosures since the Region's policies do not allow such a transaction to occur.

9) If I declare a related party transaction, will my personal information appear in the financial statements?

No. The only information required to be disclosed in the financial statements includes the type of transaction, amount classified by financial statement category, the basis of measurement, and the amounts of any outstanding items, any contractual obligations, and any contingent liabilities.

10) Who do I contact if I have any questions about related parties or related party transactions?

Please contact Sandy Calandra, Supervisor of Analytical Support,
sandy.calandra@peelregion.ca or 905-791-7800 x4851.