

## **Declarations of Pecuniary Interest**

## **Presentations/Deputations**

1. Mr. Paul Duggan, Director, Audit Services, York Region to provide a PowerPoint presentation regarding the Audit Services Memorandum of Understanding. p. 1
2. Mr. Mike Mayes, Director of Financial Services/Treasurer and Ms. Dawn Schellenberg, Manager, Finance and Accounting to provide a verbal presentation with an overview of the financial statements and risk areas.

## **Approval of Minutes**

3. Audit Committee Minutes of October 13, 2015. p. 16

Recommendation:

THAT the Audit Committee Minutes of October 13, 2015 be approved.

## **Items**

4. 2016 Schedule of Meetings. p. 20

Recommendation:

THAT the 2016 Schedule of Meetings be approved.

## **New Business**

## **Adjournment**



# **Audit Services MOU**

**January 20, 2016**

**Town of Newmarket**



# Definition of Internal Audit

"An independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

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# Background

The First Audit Services Memorandum of Understanding (MOU) signed in 2005

This MOU has been renewed continuously since inception.

Participation has increased from original 4 members to 6 members

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# Audit Universe

A risk based audit universe was updated in 2011 and may potentially be updated in 2016.

Interviews with senior management

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The risk assessment is one tool used by audit services in determine where to allocate audit resources. In addition, we have annual meetings with the CAO to discuss areas of audit.

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# Risk Factors

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The 5 key risk areas that were examined to develop the audit universe are:

Complexity

Susceptibility to Fraud

Sensitivity

Financial

Dependence on People

# Complexity

How complex are the programs, services, processes, activities or systems?

Consider such factors as:

Degree of technical or specialized knowledge required to perform or deliver services

Requirement to comply with regulatory and legal policies and rules

Involvement of multiple branches or locations

New activity or program

Reliance on outside suppliers for all or part of performance or delivery

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# **Susceptibility to Fraud**

Where susceptibility refers to the degree of ease or difficulty for person(s) to misappropriate the assets of the Municipality, or process unauthorized transactions (assuming no detective or preventative controls are in place).

Fraudulent activities can be instigated either internally or externally.



# Sensitivity

The degree or order of magnitude

Consider:

Impact on reputation and image of the  
Municipality

Potential political ramifications or  
outcomes

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# Financial

As measured by the Approved Business Plan and Budget for the Municipality.

# **Dependence on People**

To what extent does the process, activity or program, and service delivery rely on underlying computer systems?

Are automated systems supported locally or outside the Municipality?

# Ranking

For each of the previous categories, a ranking system out of 5 was used with 5 being high risk and 1 being low risk.

# Results of Risk Assessment

	COMPLEXITY	SUS. TO FRAUD	SENSITIVITY	FINANCIAL	DEP. ON PEOPLE
Average Score	3.2	2.1	3.5	1.3	3.2
High Risk		1			
Medium risk		23			
Low Risk		9			

# **Assignments since last report to Audit Committee**

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Northern 6 Project - – Looking at financial risk of OMEX and how to manage.

Vehicle and Equipment Replacement Program

Employee Benefits Review (yet to be finalized)

Employee Expense Report Controls (yet to be finalized)

# 2016 Audit Plan

Infrastructure Levy Best Practices  
Review

Northern 6 Project to be determined

Update Risk Assessment to be  
determined

One project for 2016 to be determined

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# Questions?

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The meeting of the Audit Committee was held on Tuesday, October 13, 2015 in Mulock Room, 395 Mulock Drive, Newmarket.

Members Present: Mayor Van Bynen  
Councillor Hempen  
Terrance Alderson  
Michael Tambosso  
Cristine Prattas

Absent: Councillor Bisanz

Staff Present: R.N. Shelton, Chief Administrative Officer  
A. Moore, Commissioner of Corporate Services  
M. Mayes, Director of Financial Services/Treasurer  
L. Lyons, Deputy Clerk  
C. Finnerty, Council/Committee Coordinator

Guests: T. White, BDO Canada LLP  
M. Jones, BDO Canada LLP

The Chief Administrative Officer welcomed those present and introductions were made.

The Chief Administrative Officer called the meeting to order at 8:32 a.m. and advised he would chair the meeting until a Chair has been officially appointed.

### **Additions and Corrections to the Agenda**

None.

### **Declarations of Pecuniary Interest**

None.

## **Presentations**

### **1. Orientation**

The Council/Committee Coordinator provided a PowerPoint presentation highlighting the contents of the Orientation binders, the Terms of Reference, the Committee Administration Policy and the Town's Procedural By-law. She distributed copies of the Conflict of Interest Act and briefly reviewed the Accessibility of Ontarians with Disabilities Act and the legislation associated. Staff was requested to provide confirmation that members are covered by the Town's insurance policy.

## **Items**

### **2. Appointment of Chair and Vice-Chair.**

The Deputy Clerk opened the floor for nominations.

Moved by: Mayor Van Bynen

Seconded by: Councillor Hempen

THAT Cristine Prattas be appointed as Chair of the Audit Committee for a two year term. Ms. Prattas advised she would accept the role of Chair.

#### **Carried**

Moved by: Mayor Van Bynen

Seconded by: Terrance Alderson

THAT Michael Tambosso be appointed as Vice-Chair of the Audit Committee for a two year term. Mr. Tambosso advised he would accept the role of Vice-Chair.

#### **Carried**

Moved by: Michael Tambosso

Seconded by: Councillor Hempen

THAT BDO Canada LLP be appointed as the Town of Newmarket Auditors for a one year term.

#### **Carried**

3. Mr. Michael Jones and Ms. Trudy White, BDO Canada LLP addressed those present with a review of the 2015 Audit Plan. Ms. White distributed a handout providing details of the Audit Plan for the Town of Newmarket. The Members requested that the auditors provide a fraud/risk dialogue with the Committee. The Chief Administrative Officer provided some background information regarding the Northern 6 internal audit service and he advised that he could invite Mr. Paul Duggan, York Region Audit Services to provide additional material.

The Vice-Chair requested that the Audit Plan specifically address the risks which directly affect the Town of Newmarket. Mr. Jones advised that the internal auditors examined the waste management contract as well as user fees and water/wastewater revenues. A suggestion was made to have more information provided as part of the audit plan.

Moved by: Mayor Van Bynen  
Seconded by: Councillor Hempen

THAT the verbal presentation by Mr. Michael Jones and Ms. Trudy White and the Audit Plan handout be received.

**Carried**

## **Approval of Minutes**

4. Audit Committee Minutes of June 22, 2015.

Moved by: Mayor Van Bynen  
Seconded by: Councillor Hempen

THAT the Audit Committee Minutes of June 22, 2015 be approved.

**Carried**

## **Closed Session**

The Deputy Clerk advised that although there was no requirement for a Closed Session at this meeting, she reviewed the closed meeting process for the Audit Committee.

## **New Business**

- a) The Director of Financial Services/Treasurer advised of adjustments to the 2015 allocations. He reviewed the adjustments of reserves that should have been established as liability and he further advised that deposits with the Region of York should also be recognized as assets.
- b) Mr. Tambosso inquired about the Town of Newmarket's long term capital budget. Discussion ensued regarding capital planning. The Chief Administrative Officer advised that he could circulate a report detailing underground infrastructure capital assets.

## **Adjournment**

Moved by: Mayor Van Bynen  
 Seconded by: Councillor Hempen

THAT the meeting adjourn.

## **Carried**

There being no further business, the meeting adjourned at 9:55 a.m.

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Date

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C. Prattas, Chair

**Audit Committee****Meeting Schedule for 2016**

<b>Date/Time/Location</b>
<b>Wednesday, June 15, 2016 8:30 a.m. Mulock Room</b>
<b>Wednesday, October 19, 2016 8:30 a.m. Mulock Room</b>