



AUDIT COMMITTEE AGENDA

Audit Committee Meeting
Tuesday, October 22, 2013
Tom Davies Square

COUNCILLOR RON DUPUIS, CHAIR

Fabio Belli, Vice-Chair

4:00 p.m. AUDIT COMMITTEE MEETING, COMMITTEE ROOM C-11

Council and Committee Meetings are accessible. For more information regarding accessibility, please call 3-1-1 or email clerks@greatersudbury.ca.

DECLARATIONS OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF

PRESENTATIONS

1. Report dated October 8, 2013 from the Chief Financial Officer/City Treasurer regarding 2013 External Audit Planning Report. **3 - 44**
(ELECTRONIC PRESENTATION) (RECOMMENDATION PREPARED)
 - Michael Hawtin, Partner, PricewaterhouseCoopers LLP

(The City of Greater Sudbury's Auditors will be presenting the External Audit Planning Report with respect to the 2013 year-end. The purpose of the presentation is to provide information to the Audit Committee relating to the activities of the City External Auditors in discharging their audit responsibilities.)
2. Report dated October 11, 2013 from the Auditor General regarding Audit Follow Up - Status Update. **45 - 87**
(ELECTRONIC PRESENTATION) (FOR INFORMATION ONLY)

(Reports summarizing the Auditor General's audit followup, and management's self assessment, of the current status of action plans and accomplishments.)
3. Report dated October 11, 2013 from the Auditor General regarding Auditor General Staffing - FTE's. **88 - 91**
(VERBAL PRESENTATION) (RECOMMENDATION PREPARED)

(A report recommending conversion of Long Term Temporary (contract) Hours into Permanent Hours for the Auditor General's Office.)

ADJOURNMENT

CAROLINE HALLSWORTH, EXECUTIVE DIRECTOR, ADMINISTRATIVE SERVICES/CITY CLERK

Presented To:	Audit Committee
Presented:	Tuesday, Oct 22, 2013
Report Date	Tuesday, Oct 08, 2013
Type:	Presentations

Request for Decision

2013 External Audit Planning Report

Recommendation

THAT the City of Greater Sudbury approve the 2013 External Audit Plan as outlined in the report dated October 7, 2013 from PricewaterhouseCoopers LLP.

BACKGROUND

In accordance with generally accepted auditing standards, an annual audit plan must be approved by the Audit Committee. The objective of the audit plan is to identify audit areas and systems that will be reviewed during the external audit, explain the audit approach to be used, provide information with respect to the scope and timing of the audit and identify specific issues for the year under review.

Our auditors will be presenting an overview of their External Audit Planning Report with respect to the 2013 year-end to the Audit Committee on October 22, 2013. The full External Audit Planning Report is attached.

Michael Hawtin from PricewaterhouseCoopers will be presenting the External Audit Planning Report. The purpose of the presentation is to provide information to the Audit Committee relating to the activities of the City External Auditors in discharging their audit responsibilities.

Signed By

Report Prepared By

Lorraine Laplante
Co-ordinator of Accounting
Digitally Signed Oct 8, 13

Division Review

Paddy Buchanan
Manager of Accounting
Digitally Signed Oct 8, 13

Recommended by the Department

Lorella Hayes
Chief Financial Officer/City Treasurer
Digitally Signed Oct 16, 13

Recommended by the C.A.O.

Doug Nadorozny
Chief Administrative Officer
Digitally Signed Oct 16, 13

The City of Greater Sudbury

*Audit plan
for the year ending
December 31, 2013*

October 7, 2013





October 7, 2013

Members of the Audit Committee
The City of Greater Sudbury
200 Brady Street
2nd Floor, Tom Davies Square
Box 5000, Station A
Sudbury ON P3A 5P3

Dear Members of the Audit Committee:

We are pleased to present our audit plan for the 2013 audit of the consolidated financial statements of The City of Greater Sudbury (the City) prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants (Canadian GAAP) (hereafter referred to as the financial statements).

This document summarizes our audit plan including our view on audit risks, the nature, extent and timing of our audit work as well as our proposed fees and the terms of our engagement.

We value your feedback and we hope that this document will facilitate two-way communication with you on the risks identified and our audit approach. We welcome any suggestions and observations you may have and look forward to discussing the contents of this audit plan with you at our upcoming meeting on October 22, 2013.

Yours very truly,

(Signed) “PricewaterhouseCoopers LLP”

Michael Hawtin
Partner
Audit and Assurance Group

cc: Ms. Lorella Hayes, Chief Financial Officer and Treasurer

PricewaterhouseCoopers LLP
PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5
T: +1 905 815 6300, F: +1 905 815 6499, www.pwc.com/ca

Contents

Page

1. Executive summary	1
2. Your team	2
3. Scope of our services	3
4. When will we do the audit?	4
5. How will we do the audit?	6
6. Where will we do the audit?	11
7. Our fees	12
8. What's new? Accounting and Financial Reporting update	13

Appendices

Appendix A: Engagement letters

Appendix B: Draft audit service guideline

Appendix C: A report to the Audit Committee on our quality controls

The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your organization or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted, as the report has not been prepared for, and is not intended for, any other purpose.

1. *Executive summary*

We have prepared the attached document to provide you with the opportunity to review and comment on our audit plan for the 2013 audit of the financial statements.

This audit plan includes the required communications between an auditor and Audit Committee as required by Canadian generally accepted auditing standards (Canadian GAAS).

Below, we highlight key areas for discussion, including new matters or changes from the prior year's audit plan to facilitate your review. We would be pleased to answer any questions you might have at our upcoming meeting.

Discussion item	Summary	For further reference
Client service team	<ul style="list-style-type: none"> Cathy Russell is your senior relationship partner. Michael Hawtin is your engagement leader. Grand Lui is your engagement senior manager and Urooj Vohra is your engagement manager. The senior members of our team are consistent with the prior year. 	Page 2
Service deliverables	<ul style="list-style-type: none"> The scope of our services remains consistent with the prior year. 	
Timing	<ul style="list-style-type: none"> Audit planning: August - September 2013. Interim visit: October 2013. Year-end visit: April - May 2014. 	Page 4
Audit approach	<ul style="list-style-type: none"> Our audit approach will include a combination of reliance on selected controls and substantive tests of detail. Consistent with Canadian GAAS, we will also implement a level of unpredictability into our procedures each year. 	Page 6
Materiality	<ul style="list-style-type: none"> We have calculated materiality (based on the 2013 operating budget) and have determined a preliminary materiality of \$8.7 million. Unadjusted and adjusted items over \$435,000 will be reported to the Audit Committee on completion of our audit. 	Page 9
Risk analysis	<ul style="list-style-type: none"> The areas of significant audit focus are consistent with the prior year; mainly: <ul style="list-style-type: none"> Revenue recognition - government transfers; Significant accounting estimates; and Management override of controls. 	Page 7
Fraud risk	<ul style="list-style-type: none"> We are required to discuss fraud risk annually with the Audit Committee. In planning our audit, we have considered the risk of fraud, management's processes for mitigating the risk, and the Audit Committee's oversight processes. 	Page 11
2013 audit fees	<ul style="list-style-type: none"> Our audit fee for the City for the 2013 year, as outlined in our response for proposal Contract CPS11-17 dated October 18, 2011 (the RFP), is \$89,200 (2012: \$87,100). 	Page 13

2. *Your team*

Your client service team

Your client service team comprises the following individuals:

Name	Role	Number of years on engagement	Phone number	Email address
Cathy Russell	Senior relationship partner	3	416 815 5291	cathy.russell@ca.pwc.com
Michael Hawtin	Engagement leader	3	905 815 6393	michael.hawtin@ca.pwc.com
Grand Lui	Engagement senior manager	2	416 687 8714	grand.lui@ca.pwc.com
Urooj Vohra	Engagement manager	2	905 815 6379	urooj.f.vohra@ca.pwc.com
Dib Dhar	Information technology specialist	3	416 815 5043	dibyendu.dhar@ca.pwc.com
Carol Devenny	Quality review partner	3	613 755 4366	carol.devenny@ca.pwc.com

We have assigned a quality review partner, Carol Devenny, who is independent of the audit team and whose responsibilities include ensuring that we deliver a quality product. Carol is the leader of our public sector practice and has over 29 years of experience providing audit services to a wide range of government entities.

3. Scope of our services

a. Our audit objectives

As the City's auditor, our primary responsibility is to form and express an opinion on the City's financial statements as at December 31, 2013 and for the year then ending prepared in accordance with Canadian GAAP. The financial statements are prepared by management with the oversight of those charged with governance (the Audit Committee).

An audit of the financial statements does not relieve management or the Audit Committee of its responsibilities. We will conduct our audit in accordance with Canadian GAAS. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

In addition, we are committed to being a trusted advisor to management and to the Audit Committee. Where appropriate, we will discuss significant developments in public sector accounting and provide management our views and insights and also advise management of other services we feel could be helpful—at all times staying within the realm of our independence rules.

b. Engagement terms

Our draft engagement letter dated February 8, 2012 and as amended in an addendum dated May 24, 2012 sets out the terms and conditions for our engagement as the independent auditor of the City of Greater Sudbury for the years ended December 31, 2011 through to 2013. An annual addendum to the engagement letter dated October 7, 2013 confirms that the terms and conditions of our engagement letter continue to remain in effect for the year ending December 31, 2013.

Copies of the engagement letter and addendums have been included in Appendix A of our audit plan for your reference.

4. *When will we do the audit?*

a. **Audit timeline**

Working with management, we have developed the following project timeline, which is consistent with the City's regulatory and filing requirements.

Audit planning	
Audit planning	August - September 2013
Presentation of audit plan to the Audit Committee	October 22, 2013
Audit	
Interim audit fieldwork - City and related agencies and boards	September - November 2013
Year-end audit fieldwork - City's related agencies and boards	March - April 2014
Year-end audit fieldwork - City	April - May 2014
Clearance meetings with management and PwC	May 2014
Year-end Audit Committee meeting and finalization of the consolidated financial statements ¹	June 17, 2014

¹ At the year-end Audit Committee meeting, we will provide to the Audit Committee our draft audit opinion, key findings (particularly, regarding significant estimates, transactions, accounting policies and disclosures), any significant deficiencies identified in internal controls and a confirmation of our independence.

b. **Project management**

A well-executed audit requires good project management from both your team and PwC.

Working with management, we have developed the following process to ensure information is flowing and that issues are dealt with on a timely basis:

i. **Issues meetings**

We will hold regular meetings with key management throughout the year to discuss potential issues affecting the City and to develop plans for the resolution of key accounting issues.

We will share elements of our assessment of significant risks with management and the Audit Committee to avoid surprises and obtain your feedback.

We will maintain an ongoing register of matters that require further effort and will regularly monitor progress on these matters.

ii. Communications

We will use the information from the issues meetings, along with our other cumulative knowledge of the City, to develop a detailed list of documents that we will need from the City to complete the audit. This document will list those responsible and the expected delivery dates agreed to by management.

We have asked management to appoint an “Audit Champion” to be our key contact. This person is responsible for managing the flow of information and audit requests to ensure both of our organizations are being as efficient as possible and that the audit is not disruptive.

Lorraine Laplante has been selected by management as the City’s Audit Champion.

We will hold periodic meetings with management during the audit to discuss the status of our audit procedures. As part of these meetings, we will provide a detailed list of outstanding items and will highlight any items that require more urgent attention and follow up. We will work closely with management to resolve outstanding audit information requests and issues in a timely manner and obtain agreement with management on additional audit services provided, if any, during the audit.

Once we have completed our audit and have mailed our report, the results and findings of the audit will be discussed with the Audit Committee Chair prior to the Audit Committee meeting.

We have developed an Audit Service Guideline which has been discussed with management and outlines our audit services and what may be considered additional services. All additional services will be communicated to both management and the Audit Committee. A copy of this guideline is included in Appendix B of our audit plan for your reference.

iii. Continuous improvement

After the audit, we will debrief with management and obtain feedback on how the audit went and what improvements can be made to the process. We will also solicit feedback from the Audit Committee. These improvements will be documented and reflected in next year’s audit plan.

5. *How will we do the audit?*

a. Our audit approach

Our audit approach is designed to allow us to execute a quality and efficient audit. We do this by:

- i. Gaining an understanding of the organization by focusing on new developments and key business issues affecting the City as well as management's monitoring of controls and business processes. Our audit procedures will include tests of controls within the payroll, purchases/payables/payments, information technology, and certain other processes as well as substantive tests of significant account balances and transactions;
- ii. Identifying significant audit risks, sharing our perspectives, obtaining your feedback and ensuring our audit is tailored to these risks;
- iii. Making use of our network of internal employee benefits and information systems specialists, who will be integrated into our team to assist in our audit;
- iv. Using external specialists to assist with obtaining sufficient and appropriate audit evidence over certain account balances and transactions. Specifically, we will rely on the following specialists:
 - External actuaries to provide actuarial calculations to account for the employee benefits;
 - External specialists to provide estimates of future landfill closure and post-closure costs used to estimate the related liability; and
 - Municipal Property Assessment Corporation (MPAC) to provide the assessment of properties used in determining property taxation revenue for the year.
- v. Using well-reasoned professional judgment, especially, in areas that are subjective or require estimates; and
- vi. Leveraging reliance where possible on the City's internal controls, Auditor General's Office and information technology and data systems.

Our understanding of the organization also drives our assessment of materiality and the identification of audit risks. Throughout the audit, we scale our work based on the size of an account balance, its complexity and its impact on the financial statements.

b. Risk analysis

Significant risks are those risks of material misstatement that, in our judgment, require special audit consideration. We have identified the following significant audit risks and other risks with a potential audit impact, as part of our planning process.

These risks were identified based on discussions with management, our knowledge of the City and the economy.

They are the most important risks from our perspective. We request your input on the following significant risks and whether there are any other areas of concern that the Audit Committee has identified.

Risk area (including key judgments and estimates)	Management's response	Our audit approach
<p>Revenue recognition - Government Transfers</p> <p>Revenue is recognized from government transfers based on specific contracts and arrangements with governmental organizations and is subject to management judgment with respect to the timing of revenue recognition.</p> <p>There is a risk that revenue is not recorded in the consolidated financial statements accurately and completely and in the correct accounting period.</p> <p>Further, the Public Sector Accounting Board issued a revised Section PS 3410 in March 2011 and is effective for fiscal years beginning on or after April 1, 2012. The new standard may be applied prospectively or retroactively. This standard may change the timing of the recording revenue from government transfers.</p>	<p>The City has established revenue recognition accounting policies in accordance with the accounting standards for the Public Sector.</p> <p>In addition, the City has processes, controls and other procedures in place to ensure that revenue is appropriately measured and recognized, including monitoring the activity within deferred revenue accounts and reserve funds during the year.</p> <p>The City will be undertaking a project to review significant agreements with other governments to ensure that government transfers are appropriately accounted for under the revised standard PS 3410.</p>	<p>Update our understanding of management processes and internal controls surrounding revenue recognition and assess the accounting policies adopted by the City for recognizing revenue and ensure that this is in accordance with Canadian GAAP.</p> <p>Perform substantive tests of detail over revenue, accounts receivable and deferred revenue accounts including examining reconciliations of deferred revenue accounts (by fund), obtaining confirmation of annual funding with third party sources (i.e. various Ministries) and test other movements in the deferred revenue accounts to supporting documentation (i.e. agree to contracts, vendor invoices, etc.) and to the corresponding entry to the revenue general ledger accounts.</p> <p>We will also review the City's agreements and management's analysis with respect to the adoption of the revised standard on government transfers.</p>

Risk area (including key judgments and estimates)	Management's response	Our audit approach
<p>Significant accounting estimates</p> <p>The preparation of the City's financial statements requires the use of accounting estimates that are subject to management judgment in the following significant areas:</p> <ul style="list-style-type: none"> • Employee benefits; • Environmental liabilities (including closure and post-closure costs for active and inactive landfill sites); • Provisions related to property taxes; • Provisions for uncollectible receivables; and • Contingent liabilities. 	<p>Management has processes and controls in place for formulating these estimates.</p> <p>Where applicable, management has engaged external specialists to assist in the determination of significant accounting estimates.</p> <p>In particular, we understand the City has contracted external specialists to assist with the valuation of certain employee benefits and environmental liabilities.</p>	<p>Meet with non-financial management responsible for establishing these provisions to understand the key assumptions and validate and benchmark these estimates against our own expectations. Test management's calculations, supporting data and assumptions used in these calculations.</p> <p>Incorporate internal specialists into our engagement team to assess the appropriateness of the methodology and accounting estimates applied.</p> <p>Assess the competency and objectivity of specialists engaged by the entity.</p> <p>Review management's assessment of the collectability of receivable balances and examine subsequent receipts after year-end and other evidence of collectability.</p> <p>For employee benefit arrangements, we will assess whether any plan changes as a result of new or amended collective bargaining agreements or agreements with non-unionized employees have been appropriately considered in the actuarial valuations. We will also perform testing over the source data used in the employee benefit calculations.</p>

Risk area (including key judgments and estimates)	Management's response	Our audit approach
Management override of controls Canadian auditing standards require auditors to plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements, whether caused by error or fraud. The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.	Appropriate segregation of duties has been established in order to mitigate the risk of management override of controls. Controls over the review and approval of manual journal entries are in place. In addition, the City has policies and procedures in place to prevent and deter fraud.	Assess the control environment and segregation of duties and access parameters established in PeopleSoft mitigating this risk. Test significant and non-standard manual journal entries made during the year. Introduce an element of unpredictability into our audit through our sample selections for audit testing.

c. Materiality

Misstatements, including omissions, are considered to be material if they (individually or in aggregate with other misstatements) could reasonably be expected to influence the economic decisions of users, taken on the basis of the consolidated financial statements.

Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.

We have set our preliminary materiality for the audit as follows:

	Basis	December 31, 2013
Overall materiality ¹ :	1.75% of the unconsolidated operating expenditures (budget) of the City for the full year	\$8.7 million
Unadjusted and adjusted items in excess of this amount will be reported to the Audit Committee	5% of overall materiality	\$435,000

¹ Our materiality calculation is based on the 2013 unconsolidated operating budget of the City; should there be a significant change, we will communicate changes to the Audit Committee at year-end.

d. Discussion on fraud risk

Canadian GAAS requires us to discuss fraud risk annually with the Audit Committee. We understand that part of your governance role is also to consider the fraud risks facing the City and the responses to those risks.

Through our planning process (and prior years' audits), we have developed an understanding of your oversight processes including:

- Code of conduct (as set out in the employee handbook);
- Audit Committee (and other) charters;
- Discussion at Audit Committee meetings and our attendance at those meetings;
- Presentations by management;
- Review of related party transactions;
- Consideration of tone at the top; and
- Auditor General's Office.

We are not aware of any fraud at the current time. If you are aware of any instances of actual, suspected or alleged fraud affecting the entity, please contact the engagement leader, Michael Hawtin (contact information is included in Section 2).

An auditor's responsibilities for detecting fraud

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

During our audit, we will perform the following procedures in order to fulfill our responsibilities:

- inquiries of management, the Audit Committee and others related to any knowledge of fraud or suspected fraud;
- perform disaggregated analytical procedures, and consider unusual or unexpected relationships identified in planning the audit;
- incorporate an element of unpredictability in the selection of the nature, timing and extent of our audit procedures; and
- perform additional required procedures to address the risk of management's override of controls, including:
 - evaluating internal controls designed to prevent and detect fraud;
 - examine journal entries and other adjustments for evidence of the possibility of material misstatement due to fraud;
 - review accounting estimates for biases that could result in material misstatement due to fraud, (including a retrospective review of significant prior years' estimates); and
 - evaluate the business rationale of significant unusual transactions.

We would be pleased to discuss any other procedures or suggestions the Audit Committee may have.

6. Where will we do the audit?

Our engagement team is under the direction of Michael Hawtin.

In this capacity, he is responsible for the overall quality of the delivery of our audit services, as well as the consistent application of our audit methodology.

The audit of the consolidated financial statements of The City of Greater Sudbury will be based out of the offices located at 200 Brady St. As PwC has been engaged to perform separate stand-alone audits of the City's agencies and boards (such as Greater Sudbury Utilities Inc. and Sudbury Housing Corporation) we will also be performing separate audits at their respective offices.

Since the consolidated financial statements of the City includes the agencies, boards and commissions that are controlled by the City, we will rely on the audit work completed by these PwC teams to assist in forming our opinion of the consolidated financial statements of the City.

We have taken the following steps to ensure the overall quality of the audit engagement:

- a. issued formal instructions to the local agencies and boards audit teams leveraging the work of the individual audits;
- b. arranged for continuous communication throughout our engagement team between the City and agencies and boards audit teams;
- c. arranged for debriefing conference calls with management and respective local audit teams to review results and findings of work performed; and
- d. planned adherence to engagement timelines in order to meet your reporting objectives.

7. *Our fees*

In accordance with the RFP covering the three year contract period for the years ended December 31, 2011 through to 2013, our fees for the 2013 audit of the consolidated financial statements of the City are \$89,200.

8. *What's new? Accounting and Financial Reporting update*

As part of our commitment to quality service, we now draw your attention to new and emerging accounting, auditing and regulatory developments on City of Greater Sudbury's financial reporting:

a. Government transfers

A revised Section PS 3410 was issued in March 2011 and is effective for fiscal years beginning on or after April 1, 2012. The revised standard may be applied prospectively or retroactively. The objective of this project was to provide additional guidance and clarification to Section PS 3410, Government Transfers and to address application and interpretation issues raised by the government community.

An organization will need to consider the impact of the revised standard on:

- The appropriate accounting for multi-year funding provided by governments to outside organizations;
- When the transfer has been authorized;
- The degree to which stipulations imposed by a transferring government create a liability that must be recognized by the recipient government; and
- Timing of revenue recognition for capital transfers.

b. Tax revenue

A new Section PS 3510, Tax Revenue is effective for periods beginning on or after April 1, 2012. This standard establishes how to account for and report tax revenue in government financial statements.

Certain aspects of the Standard include:

- It includes guidance that distinguishes tax concessions from transfers made through a tax system;
- Regarding the attribution of tax revenue, the standard requires the government that imposes a tax to recognize the related revenue except in the case of purely flow-through arrangements;
- It requires that any expenses incurred in relation to a tax transaction, such as administrative costs or commissions on tax collection, be separately recognized in expenses and not netted against tax revenue.

The government transfers and tax revenue standards will be applicable for the City in the 2013 fiscal year. Management has not yet concluded on the impact of the standards to the City's 2013 financial statements. We will work with management to assess the impact as part of the 2013 audit.

c. Liability for contaminated sites

Section PS 3260, Liability for Contaminated Sites is effective for periods beginning on or after April 1, 2014, although earlier adoption is encouraged. This standard provides specific guidance on how an organization accounts for a liability associated with the remediation of a contaminated site. It may be adopted prospectively or retroactively.

The main features are:

- A liability for remediation of a contaminated site is recognized when contamination exceeds an existing environmental standard, the organization is either directly responsible or accepts responsibility for the contamination, the organization expects that future economic benefits will be given up and can make a reasonable estimate of the amount of the liability.

- The liability is measured at the organization's best estimate of the amount required to remediate the contaminated site. When cash flows to settle the liability are expected to occur over several years then a discounted cash flow technique is usually the best method to estimate the liability.
- Enhanced disclosures over remediation liabilities are required.

d. Financial instruments and financial statement presentation

Section PS 3450, Financial Instruments is effective for government organizations (for fiscal years beginning on or after April 1, 2012) and is effective for governments for periods beginning on or after April 15, 2015. This section provides guidance on the recognition, measurement, presentation and disclosure of financial instruments. Derivatives and portfolio investments that are equity instruments quoted in an active market are measured at fair value. Other financial instruments may be elected as measured at fair value under certain conditions.

Concurrent with the adoption of Section PS 3450 organizations must adopt Section PS 1201, Financial Statement Presentation (replacing Section PS 1200) and Section PS 2601, Foreign Currency Translation (replacing PS 2600). These new standards require presentation of a new primary statement – the statement of remeasurement gains and losses – reporting various unrealized gains and losses and may also change the accounting for long-term foreign currency monetary items.

e. Other projects

Other significant projects that are in progress by the Public Sector Accounting Board:

- *Related Parties* – In September 2012, PSAB issued an exposure draft proposing a new PSA Handbook Section for Related Party Transactions. The exposure draft included guidance on the identification of related parties as well as the recognition and measurement of related party transactions. The Board has considered responses to the exposure draft and will be issuing a re-exposure draft with revised guidance to address concerns over key management personnel and measurement of related party transactions. The re-exposure draft is expected in June 2013 with a view to a final standard by the end of 2013. Our audit national public sector leader is the chair of the PSAB task force on this project.
- *Restructurings* – Restructurings may take many forms including amalgamations, transfers and reorganizations. This project aims to create a standard to define restructuring transactions and provide guidance on the recognition and measurement of assets and liabilities subject to restructuring as well as accounting for restructuring costs. A statement of principles was issued in February 2013, which proposes that restructurings involve the transfer of an integrated set of assets, liabilities and related responsibilities without the exchange of significant consideration based on the fair values of assets and liabilities transferred. Restructuring transactions are to be measured based on carrying values with limited adjustments. An exposure draft for a new standard is expected in early 2014.
- *Assets* – The objective of this project is to provide a standard that addresses the basic concepts and definition of assets, similar to the standard that already exists for liabilities (Section PS 3200). The first step in this project is a statement of principles that will define the essential characteristics of assets, contingent assets and contractual rights, provide recognition and derecognition criteria for assets and contingent assets, provide guidance on the measurement of assets and contingent assets (including impairments) and consider disclosure requirements. A draft statement of principles is expected in 2013.

-
- *Revenues* – This project is to develop additional principles for revenue recognition principles that apply to sources of revenue other than government transfers and tax revenue. It is a wide-reaching project seeking to address recognition, measurement and presentation of revenues that are common in the public sector. PSAB is currently working on a statement of principles, expected to be issued before the end of 2013.
 - *Asset Retirement Obligations* – This project will introduce guidance on accounting for asset retirement obligations into the PSA Handbook. The project is in early stages with a statement of principles expected before the end of 2013. A partner from our National Office sits on the PSAB task force for this project.

Appendix A: Engagement letters



October 7, 2013

Ms. Lorella Hayes
Chief Financial Officer and Treasurer
The City of Greater Sudbury
200 Brady Street, 2nd Floor
Tom Davies Square
Box 5000, Station A
Sudbury ON P3A 5P3

Dear Ms. Hayes:

This letter amends our engagement letter dated February 8, 2012 and addendum dated May 24, 2012 (collectively the original engagement letter) together with all schedules and standard terms of business between The City of Greater Sudbury (the City) and PricewaterhouseCoopers LLP (we, us, our). The parties agree that except as otherwise amended by this letter; the terms and condition of the original engagement letter will apply to the services provided.

The addendum dated May 24, 2012 is amended with respect to the scope of the Financial Statement Audits and Program Audits as follows:

- Financial Statement Audits:
 - 'Pioneer Manor Long-Term Care Facility Trust Funds'.
- Program Audits:
 - Removed 'Ontario Economic Outlook Funding Project' and 'Northern Training Partnership Fund' and added 'Federal Gas Tax' and 'Pioneer Manor Long-Term Care Facility'.

In addition to the audit of the consolidated financial statements of the City for the year ending December 31, 2013, we will perform audit services for the following entities/programs in 2013. Our engagements will be conducted in accordance with the Canadian generally accepted auditing standards.

Our fees for the audit services and the framework for the preparation of the statements with respect to the following Financial Statement Audits and Program Audits are set forth below:

PricewaterhouseCoopers LLP
PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5
T: +1 905 815 6300, F: +1 905 815 6499, www.pwc.com/ca



	Fee	Framework
Financial Statement Audits		
The City of Greater Sudbury Trust Funds	\$3,200	Canadian generally accepted accounting principles for established by the Public Sector Accounting Board.
The City of Greater Sudbury Community Development Corp.	\$2,200	Canadian generally accepted accounting principles, Part III Not-for-profit organizations.
Pioneer Manor Long-Term Care Facility Trust Funds	\$1,530	Canadian generally accepted accounting principles established by the Public Sector Accounting Board.
Program Audits		
Walden Elderly Persons Centre	\$2,100	Elderly Persons Centres Act and Regulation 314 between the Ministry of Health and Long Term Care and the City.
Homelessness Partnership Strategy	\$2,140	Contribution agreement, project # 010435394 between Her Majesty The Queen in the Right of Canada, as represented by the Minister of Human Resources and Skills Development and the City.
Federal Gas Tax	\$5,200	Criteria established by the terms and conditions described in sections 3.1, 5.1, 5.4, 6.2, 6.5 to 6.9, 7.1a to g, 7.2, 8.1 to 8.3, 9.1, 9.2 and 10.2 of the Municipal Funding Agreement for the Transfer of Federal Gas Tax Revenues Under the New Deal for Cities and Communities dated December 15, 2005 and amended May 31, 2010 with the Association of Municipalities of Ontario and the Municipality.
Pioneer Manor Long-Term Care Facility	\$9,890	Long-Term Care Home Annual Report Technical Instructions and Guidelines issued by the Ministry of Health and Long-Term Care.



All other provisions of the original engagement letter are unchanged. If changes above are acceptable, please have one copy of this letter executed in the spaces provided below and return it to us.

Yours very truly,

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants

The City of Greater Sudbury

By:

Ms. Lorella Hayes,
Chief Financial Officer and Treasurer

Date



February 8, 2012

Ms. Lorella Hayes
Chief Financial Officer / Treasurer
The City of Greater Sudbury
200 Brady Street
2nd Floor, Tom Davis Square
Box 5000, Stn A
Sudbury, Ontario P3A 5P3

Dear Ms. Hayes

PricewaterhouseCoopers LLP (we, us or our), a limited liability partnership organized under the laws of the Province of Ontario, is pleased to provide services to The City of Greater Sudbury (the City) for the years ending December 31, 2011, 2012 and 2013. Cathy Russell will be responsible for the services we perform. This engagement letter confirms our mutual understanding of the specific terms of our engagement, which are supplemented by the standard terms of business attached to this engagement letter. Our fee estimate is outlined in Schedule A. If there is any difference between our standard terms of business and the specific terms included in this letter, specific terms shall apply.

Services and Related Report

We will provide the following services (the services):

**Annual
Financial
Statement
Audit**

We will audit the City's consolidated financial statements as at December 31, 2011, 2012, 2013 and for the years then ending (the audit).

These financial statements will be prepared in accordance with the requirements of Canadian Public Sector Accounting Standards (the financial statements).

These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose. These financial statements have been prepared by management.

*PricewaterhouseCoopers LLP, Chartered Accountants
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

**Auditor's Report**

Once we complete our annual audit, we will provide you with our auditor's report on the work referred to above. The form and content of our auditor's report will be in accordance with Canadian Auditing Standard 700, Forming an Opinion and Reporting on Financial. There may be circumstances where our audit report may differ from the expected form and content. If, for any reasons caused by or relating to the affairs of you or you, we are unable to complete our audit, we may decline to issue our auditor's report.

Our Responsibilities**Annual Financial Statement Audit**

The purpose of a financial statement audit is to express an opinion on the financial statements. We will be responsible for performing the audit in accordance with Canadian generally accepted auditing standards. These standards require that we comply with ethical standards, which include independence and professional competence, and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by you, as well as evaluating the overall presentation of the financial statements.

Consistency of accounting principles

It is our responsibility to assess whether the accounting principles used to prepare the financial statements have been applied on a basis consistent with that of the preceding year and to report on that matter in the auditor's report under "Report on other legal and regulatory requirements".

Risk Assessment

In making our risk assessments, we will consider internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of your internal control. But, we will let you and the Audit Committee know, as appropriate, in writing about any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.



Informing the Audit Committee

We also are responsible for ensuring that the Audit Committee is informed about certain other matters related to the performance of our audits, including but not limited to:

- (i) our views about significant qualitative aspects of your accounting practices, including accounting policies, accounting estimates and financial statement disclosures. In certain circumstances we may be required to explain to the Audit Committee why we consider a significant accounting practice, that is acceptable under the applicable financial reporting framework, not to be most appropriate to your particular circumstances;
- (ii) significant difficulties, if any, encountered during our audits;
- (iii) where the Audit Committee is not involved in managing the entity we are also required to communicate:
 - significant matters, if any, arising from our audits that were discussed, or subject to correspondence with management; and
 - written representations we are requesting; and
- (iv) other matters, if any, arising from our audits that, in our professional judgment, are significant to the oversight of the financial reporting process.

Reliance by Third Parties

The services will not be planned or conducted in contemplation of reliance by any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly, in connection with a specific transaction.

Your Responsibilities

Responsibility for Financial Statements and Internal Control

You are responsible for the preparation and the fair presentation of the financial statements and information referred to above. You are also responsible for establishing and maintaining an effective system of internal control over financial reporting to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In this regard, you are responsible for establishing policies and procedures that ensure financial statements are prepared in accordance with the requirements of Canadian Public Sector Accounting Standards.

If you engage us to translate the financial statements or other documents referred to above from one language to another, you are responsible for the translated documents.

Correction of Errors

You are responsible for adjusting the financial statements to correct material misstatements and for confirming to us that the total of all uncorrected misstatements identified by us during our audit are immaterial, both individually and in total, to the financial statements taken as a whole. In addition, we expect you will correct all known non-trivial errors.



Prevention and Detection of Fraud	<p>You are also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us:</p> <ul style="list-style-type: none">(i) of the risk that the financial statements may be materially misstated as a result of fraud;(ii) about all known or suspected fraud affecting you involving (a) management, (b) employees who have significant roles in internal control over financial reporting and (c) others where the fraud could have a non-trivial effect on the financial statements; and(iii) of your knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, investors or others.
Related Party	<p>You are responsible for disclosing to us the identity of the related party as defined in Canadian Auditing Standard 550 – Related Parties and all the related party relationships and transactions of which you are aware and, for providing to us any updates that occur during the course of this engagement.</p>
Subsequent Events	<p>You are responsible for informing us of subsequent events that may affect the financial statements of which you may become aware during the period subsequent to the balance sheet date to the date the financial statements are issued.</p>
Laws and Regulations	<p>You are responsible for identifying and ensuring that you comply with the laws and regulations applicable to your activities, including those pertaining to the services. You will make available to us information relating to any illegal or possibly, illegal acts, and all facts related thereto and will provide information to us relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements.</p>
Providing Information on a Timely Basis	<p>You are responsible for making available to us, on a timely basis, all of your original accounting records and related information relevant to the preparation of the financial statements, additional information that we may request from you for the purposes of our audit and unrestricted access to your personnel who we may determine necessary to obtain evidence necessary to support our audits of the financial statements.</p>
Management Representation Letter	<p>You will provide us with written representations concerning representations made to us during the audits covering the financial statements.</p>
Previous Auditors	<p>To assist us in planning our audits, you will authorize your previous auditors, Collins Barrow, Freelandt, Caldwell and Reilly and KPMG LLP, to allow us to review its working papers and to respond fully to our inquiries.</p>



As part of our process of assessing the quality of our services, you may receive questionnaires from us and visits from senior partners not directly involved in providing services to you. We appreciate the attention given to these questionnaires and visits and value your feedback.

If the services outlined herein are in accordance with your requirements and, if the above terms are acceptable, please have one copy of this letter executed in the spaces provided below and return it to us.

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Accountants

The services and terms as set forth in this letter, including the provisions of the attached schedule and our standard terms of business, are agreed to.

The City of Greater Sudbury

By:

A handwritten signature in dark ink, appearing to read "Lorella Hayes", written over a horizontal line.

Ms. Lorella Hayes, Chief Financial Officer / Treasurer

March 20/2012

Date

Schedule A

Fees and Billing Schedule

Our Fee Estimate

Our fees for the services as outlined in the RFP, Section 7.1 Summary of Audit Fees and in Appendix E – Mandatory Forms – Bid Forms (2011, 2012 and 2013) will be \$80,000 in 2011, \$82,000 in 2012 and \$84,000 in 2013. Our fees exclude HST.

Conditions Impacting our Time and Fee Estimates

Our time and fee estimates take into account the agreed level of preparation and assistance from you. We will let you know promptly when and if for any reason the schedules, information and assistance provided as outlined in this engagement letter, are not sufficient for our services. We will provide you with a separate listing of required schedules, information requests and the dates such items are needed. We will also discuss with you and the Audit Committee any other issues that will require extra time and effort to resolve in order to revise the fee estimate to reflect additional services, if any, required for us to complete our work.

The conditions impacting our time and fee estimates include, but are not limited to, the following:

- 1 Changes to the timing of the engagement at your request may result in the services being performed by staff at a higher rate than initially planned, or difficulty in reassigning individuals to other engagements, either of which may result in our incurring significant unanticipated costs.
- 2 All schedules are not (a) provided by you on the date requested, (b) completed in a format acceptable to us, (c) mathematically correct or (d) in agreement with your accounting records (e.g. general ledger accounts).
- 3 Your personnel are not readily available or there is a significant delay in providing adequate responses to our requests for information, such as reconciling variances or providing requested supporting documentation (e.g. invoices, contracts and other documents).
- 4 Significant number of adjustments posted by you after we start our work that result in our having to update previously completed work.
- 5 The financial statements are received late or there are a significant number of drafts or a significant number of changes identified as a result of our review.

Terms of business

1	Introduction
2	PwC firms and subcontractors
3	Your responsibilities
4	Confidentiality
5	Professional and Regulatory Oversight
6	Personal information
7	Working papers
8	Liability
9	Termination
10	Governing Law
11	General

1 Introduction

- 1.1 **Interpretation** - In this agreement the following words and expressions have the meaning given to them below:
services – the services set out in the engagement letter
the agreement – these terms and the engagement letter to which they relate (including any schedules)
we, us or our – refers to PricewaterhouseCoopers LLP, a limited liability partnership organized under the laws of the Province of Ontario
you, your – the party or parties, including their management, to the agreement
- 1.2 **Changes** – Either we or you may request a change to the services or this agreement. Any change will be effective only when agreed in writing.

2 PwC firms and subcontractors

- 2.1 **Our relationship with you** – We are a member of the global network of PricewaterhouseCoopers firms ("PwC Firms"), each of which is a separate and distinct legal entity.
- 2.2 **Subcontractors** – We may use other PwC Firms or subcontractors to provide the services. We remain solely responsible for the services.
- 2.3 **Restriction on claims** – You agree not to bring any claim or action against another PwC Firm (or its partners, members, directors or employees) or our subcontractors in respect of any liability relating to the services or the agreement.
- 2.4 **Group members** – You will ensure that no subsidiary, affiliate, parent, associated entity or holding company (unless a party to the agreement), both while they are a group member and thereafter, brings any claim or action against any PwC Firm (or its partners, members, directors or employees) or our subcontractors in respect of any liability relating to the services or the agreement.

3 Your responsibilities

- 3.1 **Your obligations** – The performance of our services depends on you performing your obligations under the agreement. We are not responsible for any consequences arising from you not fulfilling your obligations.
- 3.2 **Solicitation and hiring of PwC personnel** - Our auditor independence related to assurance engagements may be impaired if you solicit or hire certain PwC personnel. This may either delay the provision of the services or cause us to resign from the engagement. You agree not to offer or permit your related parties to offer employment to or hire the lead engagement partner, the quality review partner or any other PwC partner and/or employee who has provided more than ten (10) hours of audit or review services until a period of twelve (12) months has passed from the date the applicable financial statements were filed with the relevant securities regulator or stock exchange.
- 3.3 **Oral advice and draft deliverables** – You may rely on our final written deliverables, but should not rely on oral advice or draft deliverables provided during the term of this agreement. If you wish to rely on something we have said to you, please let us know and if possible, we will prepare a written deliverable on which you may rely.

4 Confidentiality

- 4.1 **Confidential information** – We and you agree to use the other party's confidential information only in relation to the services, and not to disclose it, except where required by law, regulation or professional obligation. However, we may give confidential information to other PwC Firms or our subcontractors as long as they are bound by reasonable confidentiality obligations given the sensitivity of the information provided.

5 Professional and Regulatory Oversight

- 5.1 **Reviews of us** – We are required to meet certain professional standards in the performance of our services. As such, we are regulated or overseen by various professional and regulatory bodies both in Canada and abroad (which bodies will depend on the nature of the services performed under this agreement). These professional and regulatory bodies have the right to inspect our files, including working papers and other work product(s) relating to these services or the services provided in prior years to determine whether professional standards have been met. We may, from time to time, receive requests or orders from such bodies to provide them with information and copies of such working

papers. We intend to provide such information and working papers in response to such requests.

- 5.2 **Reviews of you** - Certain regulatory bodies may also have the right to conduct investigations of you, including the services provided by us. To the extent practicable, we will advise you of any such investigation request or order prior to providing our working papers, except where we are prohibited by law from doing so.
- 5.3 **Privileged information** - Except where providing working papers is required by the laws of any jurisdiction that you or we are governed by, we will use all reasonable efforts to refuse access to any document over which you have expressly informed us that you assert privilege. You must mark any document over which you assert privilege as "PRIVILEGED".
- 5.4 **Reimbursement of costs incurred** - You agree to reimburse us for our professional time and expenses, as well as the fees and expenses of our legal counsel, incurred by us in responding to any investigation that is requested or authorized by you or of you required by government regulation, subpoena or other legal process.

6 Personal information

- 6.1 **Personal information** - We may collect, use, transfer, store or otherwise process information disclosed by you of a personal nature (personal information). We may process such personal information in various jurisdictions in which we or applicable PwC Firms operate. Such personal information will be at all times processed in accordance with the applicable laws and professional regulation. In addition, we will require any service providers that process personal information on our behalf to adhere to such requirements. You confirm that you have the authority to provide the personal information to us in connection with the performance of services and that the personal information provided to us has been disclosed in accordance with applicable law.

7 Working papers

- 7.1 **Ownership** - Any documents prepared by us or for us in connection with this agreement belong to us.

8 Liability

- 8.1 **Misrepresentation by you** - You agree to release and indemnify us and our agents, partners and employees, and hold us and them harmless from all claims, liabilities, losses and costs arising in circumstances where there has been a misrepresentation by a member of your management or board of directors, regardless of whether such person was acting in your interest. This release indemnification does not apply where we reasonably should have uncovered the misrepresentations through other procedures performed but did not due to the negligence, wilful

misconduct or dishonesty of our partners and/or employees.

- 8.2 **No claims against individuals** - You agree claims or actions relating to the delivery of services shall be brought against us alone, and not against any individual. Where our individuals are described as partners, they are acting as one of our members.

9 Termination

- 9.1 **30 days' notice** - In the event either party fails to fulfil their responsibilities, the other may end the agreement on 30 days written notice.
- 9.2 **10 days' notice** - Upon completion of the services, either we or you may end the agreement on 10 days' written notice.
- 9.3 **Fees payable on termination** - You agree to pay us for all services we perform up to the date of termination, including services performed, work-in-progress and expenses incurred.

10 Governing Law

- 10.1 **Law and jurisdiction** - The agreement and any dispute arising from it, whether contractual or non-contractual, will be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein and is subject to the exclusive jurisdiction of the courts of the Province of Ontario.

11 General

- 11.1 **Matters beyond reasonable control** - No party will be liable (other than payment obligations) to the other if it fails to meet its obligations due to matters beyond its reasonable control.
- 11.2 **Entire agreement** - The agreement, once executed by both parties, forms the entire agreement between the parties in relation to the services. It replaces any earlier agreements, representations or discussions.
- 11.3 **Your actions** - Where you consist of more than one party, an act or omission of one party will be regarded as an act or omission of all.
- 11.4 **Assignment** - Without written consent, neither of us may assign any of our rights, obligations or claims under this agreement.
- 11.5 **Survival** - Any clause that is meant to continue to apply after termination of this agreement will do so.
- 11.6 **Severability** - If a court or regulator with proper jurisdiction determines that a provision of this agreement is invalid, then that provision will be interpreted in a way that is valid under applicable law or regulation. If any provision is invalid, the rest of this agreement will remain effective.



May 24, 2012

Ms. Lorella Hayes
Chief Financial Officer/Treasurer
The City of Greater Sudbury
200 Brady Street, 2nd Floor, Tom Davis Square
Box 500, Stn A
Sudbury, Ontario, P3A 5P3

Dear Ms. Hayes:

As an addendum to our engagement letter dated February 8, 2012 relating to the audit of the consolidated financial statements of the City of Greater Sudbury (the City) for the years ending December 31, 2011, 2012 and 2013, we will also perform audit services for the following entities / programs:

- City of Greater Sudbury Trust Funds;
- City of Greater Sudbury Community Development Corp;
- Walden Elderly Persons Centre;
- Ontario Economic Outlook Funding Project;
- Northern Training Partnership Fund; and
- Homelessness Partnership Strategy.

Our engagements will be conducted in accordance with the Canadian Generally Accepted Auditing Standards.

Our fees for the above audit services are as follows:

	Fee
Financial Statement Audits:	
City of Greater Sudbury Trust Funds	\$ 3,000
The City of Greater Sudbury Community Development Corp.	\$ 2,000
Program Audits:	
Walden Elderly Persons Centre	\$ 2,000
Ontario Economic Outlook Funding Project	\$ 5,000
Northern Training Partnership Fund	\$ 3,500
Homelessness Partnership Strategy	\$ 2,000

PricewaterhouseCoopers LLP, Chartered Accountants
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca



Once we complete our audits we will provide you with our auditor's report on the work referred to above. For the Program Audits, the form and content of our auditor's report will be in accordance with the requirements of Canadian Auditing Standards 805, Special Considerations – Audit of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement. For the Financial Statement Audits, the form and content of our auditor's report will be in accordance with the requirements of Canadian Auditing Standards 700, Forming an Opinion and Reporting on Financial Statements.

In addition, our fees for the audit of the consolidated financial statements of the City of Greater Sudbury, as outlined in Appendix A of our engagement letter dated February 8, 2012, have been updated to include the fees associated with the consolidation and additional audit procedures related to tangible capital assets for the Greater Sudbury Housing Corporation. This fee amount is outlined in the RFP, Section 7.1 Summary of Audit Fees and in Appendix E – Mandatory Forms – Bid Forms (2011, 2012 and 2013). Including this additional fee amount, the total audit fees for the consolidated financial statements of the City of Greater Sudbury will be \$85,000 in 2011, \$87,100 in 2012 and \$89,200 in 2013. Our fees exclude HST.

All other terms and conditions of our engagement letter dated February 8, 2012 with the City remain in effect.

Yours very truly,

PricewaterhouseCoopers LLP


Chartered Accountants

*** **

The terms as set forth in this letter are agreed to.

The City of Greater Sudbury

By:


Ms. Lorella Hayes, Chief Financial Officer/Treasurer

May 30/2012
Date

Appendix B: Draft audit service guideline



Audit Service Guideline

	Our commitment to you and expectations of the City	Additional audit services
Audit readiness and monitoring of audit progress	<ul style="list-style-type: none"> We will provide a detailed listing of audit information requests and agree with management upfront the required dates to provide the requested information. We will agree with you the start dates of our interim and year-end audit fieldwork. A completed trial balance that includes all management year-end closing entries will be provided at a date agreed to upfront with management. We will hold periodic meetings with management (dates and times to be agreed upfront) to discuss the status of the audit. As part of these meetings, we will provide a detailed list of outstanding items and will highlight any items that require more urgent attention and follow up. 	<ul style="list-style-type: none"> Delays in receiving requested information that results in idle staff time or staffing changes or any changes to the trial balance subsequent to the agreed upon date that results in additional audit testing will be billed separately.
Significant accounting and reporting matters	<ul style="list-style-type: none"> We will hold meetings with key staff at the City as part of the audit planning process to understand significant developments and changes for the current year and share with you our views on the accounting and audit implications. For significant new developments that have an accounting, reporting and/or auditing impact, management will prepare a position paper, in an agreed format, summarizing the issue, the technical analysis/research supporting management's position and the impact to the City. 	<ul style="list-style-type: none"> Time incurred to review management's position paper and resolve significant accounting matters will be billed separately. In addition, time incurred to quantify and perform additional audit procedures, as necessary, to validate adjustments will be billed separately.
Financial statement review	<ul style="list-style-type: none"> Year-end financial statements and note disclosures will be prepared and reviewed by management and provided to us for our review in accordance with the timelines as outlined in our audit information request listing at a date agreed to upfront with management. We will review two consolidated versions of the financial statements. We will provide our comments, including any suggestions for change to management, on the first version and will review a second version of the financial statements for any changes made as a result of our initial review. 	<ul style="list-style-type: none"> Significant revisions to the financial statements (i.e. re-writing of note disclosures or pervasive mathematical errors and/or internal inconsistencies) and reviewing multiple versions of the financial statements (i.e. more than two versions) will be billed separately.
Audit Committee/ Board meetings	<ul style="list-style-type: none"> We will attend one Audit Committee meeting at year-end to present our year-end audit report (summarizing our key audit findings). In addition, we will attend one Audit Committee meeting in the interim to present our Audit Plan (summarizing our audit approach, materiality and perspectives on key risks). Prior to the mailing deadlines for these meetings, we will provide management with a draft of our reports and hold a pre-meeting to discuss any comments or revisions suggested by management. 	<ul style="list-style-type: none"> Additional meetings with the Audit Committee and additional drafting sessions or clearance meetings with management will be billed separately.

Appendix C: A report to the Audit Committee on our quality controls

A report to the Audit Committee on our quality controls

November 2012



1. PwC Canada— quality control procedures

The following discussion provides an overview of the quality control procedures maintained by PwC Canada¹.

Our quality control standards

Quality control standards, established by The Canadian Institute of Chartered Accountants (CICA) require public accounting firms to have a system of quality control over their accounting and auditing practices. PwC's quality control system complies with those standards. Those standards and our quality control system address the following elements:

- Leadership responsibilities for quality within the firm (the tone at the top);
- Ethical requirements (including independence, integrity and objectivity);
- Acceptance and continuance of client relationships and specific engagements;
- Human resources (including personnel management and learning and education);
- Engagement performance; and
- Monitoring results.

Our quality control procedures

Our quality control procedures are summarized below in a manner consistent with the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework.

¹ PricewaterhouseCoopers LLP Canada (PwC)

A. Control environment

Tone at the top

PwC's leadership emphasizes its commitment to quality as its top priority through the effective and consistent communication of quality as a priority throughout our firm. Our leadership also takes the requisite actions to ensure that our firm continues to stand for quality, independence, and objectivity.

PwC expects its partners and staff to live by our core values—Teamwork, Excellence and Leadership—in the course of their professional careers.

Independence, integrity and objectivity

PwC has **extensive systems** to monitor the independence of the firm overall and of individual professionals within the firm. Our independence policies are readily available to our staff and are reinforced through periodic training. Some notable aspects of our systems and policies are:

1. **an independence system that lists restricted investments**, encourages professionals to seek preapproval for transactions, and requires professionals to record their investments on a timely basis;
2. **systems designed to ensure that non-audit services are evaluated for permissibility and submitted for Audit Committee approval prior to their provision** to public company audit clients;
3. **systems that preclear and, subsequently, monitor** the firm's business relationships to ensure compliance with applicable regulatory requirements; periodic alerts regarding recent changes in client relationships;
4. **annual confirmation** of all partners' and managers' compliance with restrictions on investment and banking relationships;
5. **mandatory training** on key independence requirements;
6. centralized **independence experts** available for consultations when questions arise or when the subject matter mandates consultation;

7. **compliance testing** of selected individual professionals; and

8. **code of conduct** and ethics hotline.

As required by the provincial institute regulations, lead audit partners and quality review partners on each public company audit client are rotated after seven years. **We also know a smooth transition as part of rotation assists in audit quality and, therefore, we address rotation early with your Audit Committee and management team.**

The firm and its partners, therefore, have the necessary freedom to act with independence, objectivity and integrity.

Consulting protocols

There are specific matters for which PwC's partners are **required to consult** with our professional and technical experts. Engagement teams are also free to consult on other matters, as warranted by facts and circumstances. Our National Office provides **guidance and consultative advice** on a wide variety of matters related to accounting, audit policy, methodology and independence, though experienced partners and senior managers located in offices across the country.

In the event of disagreement, a resolution process provides guidance for moving the discussion through our chain of command until the matter is satisfactorily resolved.

Personnel management

PwC maintains **stringent hiring standards** for both entry-level and experienced recruits, which include not only an assessment of academic records, but also interviews, background checks and reference checks. Once hired, our staff members participate in a variety of local and national formal **training courses**, with a curriculum that matches their roles and responsibilities as they progress in their careers. PwC's partners also receive mandatory ongoing training and education.

Partner and staff **performance is evaluated annually** through a review process that includes peers, subordinates and supervisors. Partners and staff are evaluated, recognized and rewarded for performing as competent accountants and auditors, consistent with the firm's focus on quality. Managers

are formally evaluated at least annually by partners for whom they have performed substantial work during the year. Our partner performance evaluation and compensation processes are in accordance with rules prohibiting direct compensation for selling non-audit services to audit clients. The annual assessment process captures information about how well each of our people has performed relative to their peers. This process also emphasizes to our partners the importance and priority of sustained audit quality, relative to other performance criteria.

B. Risk assessment

Risk management

PwC's risk management team includes several experienced partners who devote their time to risk management activities. They play an integral part in the client acceptance and retention process, assessing risk on both a qualitative and quantitative basis and work with audit engagement teams on a variety of issues and judgments, such as materiality and going concern considerations.

Client acceptance and retention

PwC has a proprietary information system to support our client acceptance and retention decisions. It involves the audit engagement team, industry experts and risk management partners in determining whether the risks related to existing or potential clients are manageable, and whether PwC should be associated with the particular company and its management. Matters considered include the following:

- the reputation of the company and its management;
- the effectiveness of its board of directors;
- any incentives or inclinations for management to manipulate reported results;
- any unusually aggressive or creative accounting; and
- any current or historical business, professional employment, or financial relationships that could impact PwC's independence.

C. Control activities

Audit engagement performance

PwC uses the same audit **methodology on a global basis**. This is supplemented by local tools and guidance to address the specific needs and requirements of the Canadian firm and client base and is also updated to reflect new developments and emerging issues.

Regular communications alert our partners and staff to new standards and provide related guidance to assist them in providing high-quality service to clients.

Engagement-specific quality control

While many aspects of PwC's system of quality control apply to all engagements, there are certain procedures performed specifically with respect to particular audits. For example, our public company clients have **an independent quality review partner** assigned, whose responsibilities include reviewing the audit strategy and execution, considering PwC's independence and reviewing the key risks identified by the engagement team and the responses to those risks. The quality review partner also acts as a key reviewer of significant accounting, auditing and financial reporting matters; significant engagement team judgments; the resolution of significant issues; the financial statements and related disclosures; and the appropriateness of PwC's report.

National Accounting Consulting Services (ACS) and Audit Quality & Methodology (AQM)

PwC's ACS and AQM groups are separate units within our Assurance practice. The leaders of the Accounting and Assurance groups within ACS and AQM are members of the leadership team that sets strategic direction for our Assurance practice and drives major Assurance initiatives and decisions. ACS and AQM consist of partners and managers who are experts in accounting and auditing and related subject matter areas. They review and advise on matters involving significant, unusual or complex accounting, auditing and regulatory, and they establish PwC's policies, processes and methodology.

D. Monitoring

PwC quality reviews

At PwC, we maintain an **internal quality monitoring program**. The program includes inspection of each partner's work on a rotational basis and various aspects of our quality control system to evaluate whether our quality controls are functioning properly.

Audit engagement reviews are conducted by experienced partners and managers who have appropriate industry experience and who are not connected with either the office performing the audit or the audit itself. **Reviews are conducted annually, with signing partners subject to review on a periodic basis, generally, once every three to five years.** Our internal review process also involves periodic testing of the effectiveness of our quality controls in functional areas, such as hiring, training, advancement, ethics and independence.

Quality monitoring is also an integral part of our continuous improvement program. PwC constantly evaluates inputs from formal programs and informal programs. In addition, we evaluate the effectiveness of the design and operation of our quality control system.

2. Results of our most recent quality control reviews and PwC's actions

Canadian Public Accountability Board (CPAB) reviews

We are registered with CPAB in order to audit financial statements of Canadian Reporting Issuers.

In each year since 2005, CPAB has inspected the Canadian operations of PwC and other accounting firms operating in Canada. Public versions of CPAB's reports are available at www.cpab-ccrc.ca. We have reviewed the most recent reports and matters arising from the inspections of our firm and we have provided our responses to CPAB. CPAB's rules preclude us from disclosing details of the report, matters and our responses.

Our firm is not subject to any restrictions or sanctions arising from CPAB's review. As well, there has been no disciplinary action taken or pending against our firm during the past three years with regulatory bodies or professional organizations.

We are committed to implementing all recommendations that have been made by CPAB and have **implemented all recommendations arising from the past inspections**. While the recommendations reflect areas where improvements can be made, in our view, they do not reflect any fundamental flaws in our processes or methodology.

We view CPAB's feedback as constructive, and we are committed to ensuring that our systems and processes are responsive to its observations and

compliant with the Canadian Standard on Quality Control issued by CICA.

We support CPAB's process as a further measure of our own internal standards to deliver excellence in client service and ensure public confidence in the quality of the audits of financial statements of reporting issuers.

Assessment of findings

The feedback we receive from CPAB, together with our internal quality control reviews and the many other inputs we consider in the normal course of business, has played an important role in our continuous improvement efforts. We have made and will continue to make improvements to our audit approach, training and other relevant factors.

Presented To:	Audit Committee
Presented:	Tuesday, Oct 22, 2013
Report Date	Friday, Oct 11, 2013
Type:	Presentations

For Information Only

Audit Follow Up - Status Update

Recommendation

For Information Only

BACKGROUND

This is the first follow up report provided to Council following improvements made to our process over the last six months. In August of 2013, the Auditor General introduced an updated Audit Report format, as well as changes to our audit follow up process.

In our reports, we no longer identify audit findings, they are audit observations. We are also shifting from a focus on audit recommendations, to a focus on management's action plans. In our reports we will no longer make recommendations to management. Instead, we work with management, asking them to develop action plans that they own, and are committed to. Management's assignment of an action plan lead, and the expected timing are clearly identified in the audit report. The focus is on management's accountability for action and improvement.

This audit report format sets the stage well for audit follow up. The Auditor General's Office maintains an ongoing audit follow up process which involves a consolidation of management's own self assessment of any accomplishments, and the status of their action plans. Periodic reports are provided to Council with the aim of documenting the actions taken, lessons learned, progress milestones, cost savings, efficiencies and accomplishments recognized by management while following through on their action plans. The self assessment reports are not evaluations or assurances provided by the auditor. Instead, the self assessments provided in the "Actions taken, results and /or actions planned" section are unedited, and in management's own words.

The Auditors still reserve the ability to conduct our own progress assessments and progress audits according to the follow up process described below.

THE FOLLOW UP PROCESS

1. Self-Assessment Follow up

In most cases, initial follow up will be in the form of a self assessment by program managers. The Auditor General's Office will send a self-assessment form to program managers, in which management will be able to describe the progress that they have made in implementing the Auditor General's Office recommendations and your plans going forward. Management's self assessment will then be published unedited and in their entirety.

Signed By

Auditor General

Brian Bigger

Auditor General

Digitally Signed Oct 11, 13

Most initial follow-ups will be conducted approximately one year after the report is issued although this time frame may be shortened at the discretion of the Auditor General's Office, or the request of Council.

The Auditor General's Office expects that most recommendations will be cleared with the first follow-up. However, subsequent follow-ups may be required on outstanding recommendations or certain key recommendations that have not been satisfactorily addressed.

The Auditor General will allow divisional staff two weeks to provide comments on the self assessment form.

2. Subsequent Self-Assessment Follow up

Published within one year of the initial follow-up, subsequent follow-ups will also be unedited self-assessments provided by management. In order to remain relevant, successive follow-ups will be conducted when necessary, generally up to a maximum of two years.

The Auditor General will allow divisional staff two weeks to provide comments on the self assessment form.

3. Progress Assessments

A third form of follow-up will involve the Auditor General's Office assessing the organization's self-assessment of all or certain recommendations to confirm their reliability. The results of progress assessments will be published in the next follow up report.

4. Progress Audits

A fourth form of follow-up will be a progress audit whereby audit level assurance will be provided as to the validity of the entity's self-assessments. This will involve conducting the entire audit again.

Given the resources required to complete this form of assessment, the Office has yet to conduct work of this nature and would do so only when prudent.

THE STATUS OF MANAGEMENT'S ACTION PLANS

Audit Name	Year Report Was Issued	Management's Self Assessment Of The Status Of Their Action Plans And Accomplishments				
		Total # Of Action Plans	Fully or Substantially Implemented	Alternative Action Taken	Partially Implemented	No Substantial Action Taken
Roads Miscellaneous Winter Maintenance	2010	32	29	0	3	0
Cash Handling - Transit & Parking	2010	44	44	0	0	0
Shift Trading – Transit, Fire , EMS	2011	8	8	0	0	0
Accounts Payable	2011	19	17	1	1	0
Conventional Transit	2011	16	9	6	1	0
Handi Transit	2011	6	3	3	0	0
Transit Kiosk	2011	21	16	3	2	0
Water Main Emergency Repairs	2012	11	10	1	0	0

Roads – Impact Of Changes To Road Design	2012	13	10	0	3	0
User Fees – Sports Fields	2012	9	3	0	2	4
Total		179	149	14	12	4
% By Status		100%	83%	8%	7%	2%
% Partially, Substantially, or Fully Completed				98%		

SELF ASSESSMENT FOLLOW UP REPORTS (Compiled By The Auditors)

Appendices attached to this report contain detailed Follow Up Self Assessment reports for the following audit reports:

- Roads - Miscellaneous Winter Maintenance
- Accounts Payable
- Conventional Transit
- Handi Transit
- Transit Kiosk
- Water Main Emergency Repairs
- Roads – Impact Of Changes To Road Design
- User Fees – Sports Fields

PROGRESS ASSESSMENT REVIEWS (Conducted By The Auditors)

Appendices attached to this report also contain the results of the Auditor General's progress assessment reviews with detailed Follow Up Progress Assessment Reports for selected observations and action plans from the following audit reports:

- Water Main Emergency Repairs
- Roads – Impact Of Changes To Road Design

Water Main Emergency Repairs

Our follow up test procedures indicated that expected value for money improvements related to excavation, for maintenance and repairs of water and waste water systems have been realized.

- The standard water /waste water excavation repair crew size had been reduced by one.
- Three sets of trench boxes had been purchased.
- We were advised that the City's hydro excavation equipment (two units associated with the Water / Waste Water Distribution Division), were in high demand. In addition to both of the City's hydro excavators, we also observed the use of contractor hydro excavation equipment to complete system maintenance using the trench box excavation method.
- We were advised that the trench boxes were well received by construction crews, and had been used in approximately 80% of excavation repairs completed in the month prior to our review.
- We observed that due to the introduction of excavation methods using trench boxes and hydro excavation:
 - crew and equipment repair timelines (efficiency – freeing up productive hours for licensed workers) were significantly reduced,
 - road cut dimensions with the trench box approach were as little as four percent of the area

required with a sloping method (size of asphalt repairs on roads)

- with the trench box method, damage to surrounding curbs, sidewalks, medians, retaining walls, lawns, trees etc. was avoided (economy / effectiveness – significantly reducing remediation costs)

Roads – Impact Of Changes To Road Design

Our follow up test procedures indicated that contractor adherence to terms and conditions of the construction contract, OPSS and GSSS were much improved.

- We reviewed tests for base asphalt on one project (Eng 13-16 Lasalle & Notre Dame Intersection) and surface asphalt on three projects (Eng 12-1 Robinson St, Eng 11-17 Bancroft Drive, ENG 12-16 Neimi Road), laid in the 2013 construction season
- The proper mix of asphalt was laid for all four projects and all 22 asphalt tests reviewed.
- Asphalt sample testing was supported by a pre-approved JMF for all four projects and all 22 asphalt tests reviewed
- Asphalt mix testing tolerances were based on OPSS 310 for all four projects and all 22 asphalt tests reviewed
- One of 22 (5%), asphalt mix test results completed by the City Laboratory was identified as out of tolerance in accordance with the JMF and OPSS 310.
 - An improvement to the CGS quality assurance process includes the collection of two asphalt samples. (previously only one sample was taken at each sample point)
 - The out of tolerance result was communicated to the contractor as well as CGS Construction Services Management and the Construction Services Inspector.
 - In follow through for this out of tolerance result, a second sample was provided to an independent laboratory for testing. The independent “referee” test indicated that the second asphalt sample was acceptable. (the referee sample was within OPSS 310 tolerances in comparison to the pre approved Job Mix Formula)

CONCLUSION

Ninety-eight percent of audit recommendations partially, substantially, or fully completed. These reports confirm that management's (and suppliers) response to audit observations, and a focus on action plans, has resulted in encouraging assessments of progress and improvements impacting all areas of the organization.



MEMO

Date: August 22, 2013

To: Nick Benkovich – Director of Water/Wastewater Services
CC: Doug Nadorozny, Tony Ceccutti, Cheryl Beam, John Royer
From: Brian Bigger, Auditor General

Re: Audit Follow Up – Emergency Water Main Repairs – 2013 Excavation / Trench Box Use

SUMMARY

Background

- The Auditor General's January 2012 audit report for Emergency Water Main Repairs identified the need to improve adherence to Ontario Health & Safety Act for excavations.
- The audit report also identified opportunities to improve value for money through the purchase and use of trench boxes with hydro excavation equipment for water and waste water system repairs and maintenance. Although management was certainly aware of excavation practices using trench boxes and hydro excavation, the audit analysis and report to Council served as a catalyst in implementing changes and improvements.

Scope

- Observe water / waste water repair excavations using trench boxes in the 2013 construction season.

Objectives

- Determining whether action plans related to acquisition and use of trench boxes have been "Fully or Substantially Implemented".
- Determining whether expected outcomes have occurred.

Methodology

- We interviewed water / waste water construction staff about improvements implemented in the CGS water and waste water main excavation and repair process.
- We selected four construction projects where planned water system valve maintenance occurred in August 2013.
- Observed and documented the excavation process for each maintenance project.
- Reviewed accomplishments with supervisors.

GAGAS Compliance

We conducted our review in accordance with generally accepted government auditing standards. Those standards require that we adequately plan for the audit; properly supervise audit staff; obtain sufficient,

appropriate evidence to provide a reasonable basis for our findings and conclusions; and prepare audit documentation related to the planning, conducting, and reporting for each audit. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives.

Risks / Opportunities We Evaluated

- City maintenance crews use of trench boxes in completing water system valve repairs.
 - Labour and equipment used in excavations using trench boxes
 - Adherence to Health and Safety Act for trench box excavations
 - Achievement of efficiencies expected from use of trench boxes
 - Achievement of economies expected from use of trench boxes

Elements Operating Effectively

- Our follow up test procedures indicated that expected value for money improvements related to excavation, for maintenance and repairs of water and waste water systems have been realized.
 - The standard water /waste water excavation repair crew size had been reduced by one.
 - Three sets of trench boxes had been purchased.
 - We were advised that the City's hydro excavation equipment (two units associated with the Water / Waste Water Distribution Division), were in high demand. In addition to both of the City's hydro excavators, we also observed the use of contractor hydro excavation equipment to complete system maintenance using the trench box excavation method.
 - We were advised that the trench boxes were well received by construction crews, and had been used in approximately 80% of excavation repairs completed in the month prior to our review.
 - We observed that due to the introduction of excavation methods using trench boxes and hydro excavation:
 - crew and equipment repair timelines (efficiency – freeing up productive hours for licensed workers) were significantly reduced,
 - road cut dimensions with the trench box approach were as little as four percent of the area required with a sloping method (size of asphalt repairs on roads)
 - with the trench box method, damage to surrounding curbs, sidewalks, medians, retaining walls, lawns, trees etc. was avoided (economy / effectiveness – significantly reducing remediation costs)

Elements Not Operating Effectively

- None observed through our follow up test procedures.

We thank Staff for their cooperation and assistance in the completion of this audit follow up review.

Regards



Brian Bigger, CGA, CRMA

MEMO

Date: August 23, 2013

To: Kevin Shaw – Director Engineering Services

CC: Doug Nadorozny, Tony Ceccutti, David Shelsted, Lee Laframboise

From: Brian Bigger, Auditor General

Re: Audit Follow Up -Changes In Road Design – 2013 Asphalt Test Results

SUMMARY

Background

- The Auditor General's 2012 audit report for Changes In Road Design identified the need to improve CGS quality assurance procedures and adherence to OPSS 310 (Ontario Provincial Standards and Specifications) for asphalt.

Scope

- Review of a sample of CGS Laboratory test results for asphalt laid in 2013 noting follow-through procedures supporting enhanced quality assurance such as testing against CGS authorized asphalt JMFs (Job Mix Formulas) for results against tolerances defined in OPSS310.

Objectives

- Determining whether action plans related to asphalt testing have been "Fully or Substantially Implemented".
- Determining whether expected outcomes have occurred.

Methodology

- We interviewed staff about improvements implemented in the CGS asphalt "Quality Assurance" testing process.
- We selected four construction projects where asphalt was laid in 2013.
- Obtained copies of contract specifications, pre-approved JMFs, CGS laboratory test results for asphalt, and any memo's or emails indicating follow through reporting of deficiencies.

GAGAS Compliance

We conducted our review in accordance with generally accepted government auditing standards. Those standards require that we adequately plan for the audit; properly supervise audit staff; obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions; and prepare audit documentation related to the planning, conducting, and reporting for each audit. We believe that the

evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives.

Risks / Opportunities We Evaluated

- Contractor's adherence to terms and conditions of the construction contract, OPSS and GSSS.
 - proper mix of asphalt laid in accordance with tender and approved JMF
 - asphalt mix testing supported by a pre-approved JMF
 - asphalt mix test result tolerances in accordance with OPSS 310
 - concerns and out of tolerance results communicated to contractor as well as CGS Construction Services Management and inspectors

Elements Operating Effectively

- Our follow up test procedures indicated that contractor adherence to terms and conditions of the construction contract, OPSS and GSSS were much improved.
 - We reviewed tests for base asphalt on one project (Eng 13-16 Lasalle & Notre Dame Intersection) and surface asphalt on three projects (Eng 12-1 Robinson St, Eng 11-17 Bancroft Drive, Eng 12-16 Neimi Road), laid in the 2013 construction season
 - The proper mix of asphalt was laid for all four projects and all 22 asphalt tests reviewed.
 - Asphalt sample testing was supported by a pre-approved JMF for all four projects and all 22 asphalt tests reviewed
 - Asphalt mix testing tolerances were based on OPSS 310 for all four projects and all 22 asphalt tests reviewed
 - One of 22 (5%), asphalt mix test results completed by the City Laboratory was identified as out of tolerance in accordance with the JMF and OPSS 310.
 - An improvement to the CGS quality assurance process includes the collection of two asphalt samples. (previously only one sample was taken at each sample point)
 - The out of tolerance result was communicated to the contractor as well as CGS Construction Services Management and the Construction Services Inspector.
 - In follow through for this out of tolerance result, a second sample was provided to an independent laboratory for testing. The independent "referee" test indicated that the second asphalt sample was acceptable. (the referee sample was within OPSS 310 tolerances in comparison to the pre approved Job Mix Formula)

Elements Not Operating Effectively

- None observed through our follow up test procedures.

Value For Money Considerations (no formal response from management is required)

- During our follow up review, we noted that an opportunity exists to improve the process used to record, communicate and report test results. Currently test information is manually recorded, calculated and copied a number of times. A desktop computer may improve the process.

We thank Staff for their cooperation and assistance in the completion of this audit follow up review.

Regards

A handwritten signature in black ink, appearing to read 'B Bigger', with a stylized flourish at the end.

Brian Bigger, CGA, CRMA
Auditor General for the City of Greater Sudbury



Audit Follow Up Report

September 23, 2013

To: Pre Audit Sub Committee
From: Brian Bigger, Auditor General

Re: Roads – Miscellaneous Winter Maintenance

Audit Report Released	June 2010
Original # Of Recommendations	32
# Of Action Plans Previously Completed	26
# Of Action Plans Now Closed	29
# Of Action Plans On Next Follow Up	3
Status As Of June 30, 2013	On Track

Recommendation and Summary Of Progress (Note: Self assessment conducted by Roads Division)	Self-assessed Status
---	-------------------------

Recommendation 1 (a)	
<p>As it is Management's responsibility to establish and to ensure compliance with internal controls and bylaws, Infrastructure Services Management should obtain clarification of City policies through Financial Services and Legal Services, to determine an actual percentage and dollar threshold over which prescribed Council approval would be required. In addition, changes to Council approved budgets over this threshold amount should not be allowed unless first approved by Council.</p> <p><u>Original Management Response</u></p> <p>We agree with the need to have a clearer policy on budget reallocations. Finance has been working on a budget reallocation policy which will be presented to Council in the fall of 2010. In emergency situations such as that which were experienced in the spring of 2009 with potholes, we will strive to ensure that all components of the Purchasing By-law for Emergency Purchases are achieved.</p> <p><u>Actions Taken, Results and /or Actions Planned</u></p> <p>The current Operating Budget Policy (approved by council in August 2011) has addressed the process required for budget reallocations.</p>	Fully or Substantially Implemented

Recommendation 1 (b)

It is Management's responsibility to establish and to ensure compliance with internal controls and bylaws. Purchasing by-law 2006-270 is clear and specific as it provides circumstances and thresholds where the General Manager is required to report to Council, or where prescribed Council approval would be required. Infrastructure Management should obtain clarification of City policies through Financial Services and Legal Services to improve awareness and understanding of key financial controls and bylaws impacting their operations.

Fully or
Substantially
Implemented

Original Management Response

An informal email notification was provided to Council March 19, 2009. In future, staff will follow up with a formal Council Report recognizing the unbudgeted expenditure. Staff proceeded in the most expedient and economical means to address a serious problem which had developed into an emergency, in order to deal with the pothole crisis which was occurring at the time. Staff will pursue the issue of "substantial performance certificates" with Legal and Construction Services and establish a formal process for completion of contracts to avoid / prevent a similar reoccurrence.

Actions Taken, Results and /or Actions Planned

Roads and Transportation staff are aware of the current policy, including the Purchasing By-law and the recent Capital Policy.

Recommendation 2 (a)

Due to the age of the software and limited ability within current MMMS to associate activities and costs to specific road assets or road segments, management should continue to investigate other available programs in the market place that could be used to support budget planning, work order management, productivity tracking and cost analysis to the infrastructure asset level.

Partially
Implemented

Original Management Response

Staff agree that a more updated software program should be pursued to better refine the MMMS system. A Project Development Team is being established to pursue a replacement for the current MMMS system and a new system is expected to be in place by early 2012.

Actions Taken, Results and /or Actions Planned

Staff is currently involved with the implementation of a new Computerized Maintenance Management System (CMMS) to replace the legacy MMMS. Phase 1 is scheduled to be implemented by the Spring or 2014. Phases 2 and 3 will follow. The CMMS will include these functions.

Recommendation 3 (a)

It is recommended that the City continue to extend the implementation of an AVL/GIS system that will capture the entire roads infrastructure. This will reduce the need for paper based road patrol reports as the information can be captured timely and accurately, right into GIS. Therefore, our road data will be available for reference purposes. It will be complete, accurate and timely. This information will also assist in the investigation of claims by reducing the amount of time required to trace through paperwork. Since an AVL/GIS system contains all the maintenance information, it can also be used to track potholes and plan the most efficient and cost effective repair for a section of road. This will ensure that once a pothole is identified, it is repaired according to minimum maintenance standards. The system should handle work orders, in order to track the productivity of the crews.

Partially
Implemented

Original Management Response

Staff agree. Staff have been investigating an electronic road patrolling system which would be tied to the ACR system. It is anticipated this will be in place with the new MMMS system.

Actions Taken, Results and /or Actions Planned

Council approved the purchase of new AVL hardware / software on May 28, 2013, which includes the development of an electronic Road Patrol application. Staff will commence work on the project in the spring/summer of 2013.

Recommendation 3 (b)

Management needs to improve procedures related to road patrol documentation to ensure regulatory requirements for patrols and repairs are consistently met.

Partially
Implemented

Original Management Response

Paper copy road patrol records are being kept and are continuously being improved. Staff follow the province's road patrol documentation process. Staff have been investigating an electronic road patrolling system which would be tied to the ACR system. It is anticipated that this will be in place with the new MMMS system.

Actions Taken, Results and /or Actions Planned

Council approved the purchase of new AVL hardware / software on May 28, 2013, which includes the development of an electronic Road Patrol application. Staff will commence work on the project in the spring/summer of 2013.

Recommendation 4 (f)

A thorough analysis of cost and productivity should be done by area, for the costs for using internal crews on straight time, and overtime as compared to the use of contractors. This information should be used in scheduling so that the most cost effective method is achieved.

Fully or
Substantially
Implemented

Original Management Response

Cost alone is not the only factor to consider when bringing in contract crews. Other factors are considered when assigning work. Some examples are: Staff must fully utilize permanent City employees prior to having the work done by contractors. The pothole patching contract is intended to supplement city crews when they cannot keep up with the demand and meet the minimum maintenance standards. Overtime costs for city crews must be considered outside of their regular working hours. The City's Union agreement limits our employees to twenty hours of overtime per week. This limits available hours for other essential winter control activities.

Actions Taken, Results and /or Actions Planned

Staff continue to follow this recommendation and the actions previously outlined.



Brian Bigger, CGA, CRMA

Auditor General for the City of Greater Sudbury



Audit Follow Up Report

September 23, 2013

To: Pre Audit Sub Committee
From: Brian Bigger, Auditor General

Re: Accounts Payable

Audit Report Released	May 2011
Original # Of Recommendations	19
# Of Action Plans Previously Completed	13
# Of Action Plans Now Completed	18
# Of Action Plans On Next Follow Up	1
Status As Of June 30, 2013	On Track

Recommendation and Summary Of Progress (Note: Self assessment conducted by the Finance Department)	Self-assessed Status
---	-------------------------

Recommendation (a)	
Management needs to establish written policies and procedures that incorporate business processes in addition to existing directions on how to use the PeopleSoft system. The manual should include policies and procedures regarding Vendor Setup and Management, Vendor Invoices (Invoice Processing Policy), Disbursements (Cheque disbursement policy and payment policy) and Month End Reporting requirements. In addition to the PeopleSoft policies manual, specific standards for entering an invoice should be implemented. This should include standards for leading zeros, alpha-numeric characters, etc. Furthermore, a standard process for creating an invoice number where one does not exist should create the same unique number no matter who processes the invoice. If invoice numbers are entered in a standard convention, the PeopleSoft duplicate check would increase the likelihood that the duplicate invoice would be detected at the invoice entry stage, since the majority of duplicate errors were due to two variations of the same invoice number.	Fully or Substantially Implemented

Original Management Response

Accounts Payable currently has procedures documented, and Accounts Payable can access these online, for: Invoice processing, vendor maintenance, invoice look-up, EFT instructions, Vendor look-up, And many others including cheque runs, bank transfers, etc. Management agrees with the auditor's conclusion regarding the need to establish written policies and procedures that incorporate both business processes as well as PeopleSoft system processing procedures. Management agrees with the auditor's comments regarding invoice entering and will ensure that the policies and procedures manual (as documented in 1 a) above will include specific standards for entering invoices. Accounts Payable policies and procedures will be expanded to incorporate business processes as well as system processes. The policies and procedures are targeted to be updated by October 31, 2011.

Actions Taken, Results and /or Actions Planned

Finance has been updating and developing written policies over the past few years. Examples include, Purchasing Authority Policy (Completed May 2011) , Vendor Master Policy (Completed Q1 2013); Invoice Processing Policy (Completed Q2 2013) and Payment Processing Policy (Completed Q3 2013).

Recommendation (d)

There was a high volume of cheques that were voided for reimbursement for training due to the employee requesting funds prior to attending an event, but then not attending. There is a cost to the City for both processing the cheque request, following up on the travel advances, and also for voiding the printed cheque. Consideration should be given to reimbursing employees for training once the training has been completed, and not prior to the session.

Fully or
Substantially
Implemented

Original Management Response

During the 33 months audited there were 70 cheques voided for this reason. Travel advances and travel reimbursement are administered in accordance with the most recently (April 1, 2010) approved Travel Policy. The Travel Policy encourages employees who do not have travel procurement cards to use personal credit cards to pay for expenses and then seek reimbursement after the travel has occurred. Where an employee does not wish to use a personal credit card, the City will provide a travel advance on the request and approval of the supervisor. Travel advances are not immediately expensed but reside as an asset (advance receivable) on the balance sheet awaiting completion of the course/conference and the filing of a travel expense claim form. Finance staff follow up on all travel advances to ensure they are properly removed from the balance sheet through cancellation of the cheque or through final expense claims.

Actions Taken, Results and /or Actions Planned

Risk is mitigated by monthly reconciliation of Travel Advance acct and by implementation of "open items" (part of the FIS upgrade).

Recommendation (e)

It is recommended that Management review the functionality of ACL and consider implementing this or similar detective controls in order to monitor transactions on a daily basis and identify duplicate payments.

Alternative
Action Taken

Original Management Response

Accounts Payable does have both preventive and detective controls in place and the key controls are highlighted in the overall management response at the beginning of this report. There is a system control in PeopleSoft that will not allow an invoice to be processed if the invoice number has previously been processed. In addition, Accounts Payable does have a business process in place for identifying duplicate payments. Quarterly, a duplicate payment query from PeopleSoft is run and followed up. Accounts Payable does have both preventive and detective controls in place and the key controls are highlighted in the overall management response at the beginning of this report. There is a system control in PeopleSoft that will not allow an invoice to

be processed if the invoice number has previously been processed. In addition, Accounts Payable does have a business process in place for identifying duplicate payments. Quarterly, a duplicate payment query from PeopleSoft is run and followed up.

Accounts Payable does have both preventive and detective controls in place and the key controls are highlighted in the overall management response at the beginning of this report. There is a system control in PeopleSoft that will not allow an invoice to be processed if the invoice number has previously been processed. In addition, Accounts Payable does have a business process in place for identifying duplicate payments.

Quarterly, a duplicate payment query from PeopleSoft is run and followed up.

This query will be reviewed to determine if it can be expanded to pick up additional variables that would further refine and improve the identification of duplicate payments. Target date for completion is June, 2011. If the PeopleSoft query cannot be expanded then the functionality of ACL will be reviewed and a cost/benefit of using ACL as an additional tool in AP will be undertaken. Management appreciate the listing of potential unrecovered duplicate payments (\$17,143) the auditor has provided and Accounts Payable has commenced collecting this amount and continue to review and collect the remaining amounts.

Actions Taken, Results and /or Actions Planned

Management has decided to rely on existing controls to monitor transactions and identify duplicate payments. ACL will not be evaluated. City's internal controls further documented in Payment Processing Policy

Recommendation (f)

Policies surrounding paying from copies of invoices should be created and enforced. Faxes or copies should receive enhanced scrutiny before payment. Furthermore, vendors should be officially informed that all invoices should be sent directly to Accounts Payable.

Fully or
Substantially
Implemented

Original Management Response

Policies and procedures will be documented as part of the work done and described in 1 a) of this report. It should be noted that original invoices received by fax or email are stamped "Original invoice received by fax/email" to prevent confusion. Staff have been reminded to apply greater scrutiny to copies of invoices. Management notes your comments on all invoices being sent to Accounts Payable. As Accounts Payable moves forward with functionality that will allow the City to scan and attach the invoice inside of PeopleSoft. Accounts Payable will ensure more vendors forward invoices directly to Accounts Payable. This was one of the recommendations from our internal procure to pay review. This review was discussed in the overall management response.

Actions Taken, Results and /or Actions Planned

Scan and Attach functionality in PeopleSoft was implemented in Q3 2012; Invoice Processing Policy Completed Q2 2013. Payment Processing Policy Completed Q3 2013.

Recommendation (g)

Invoices should reflect a Purchase Order (PO) generated within PeopleSoft. A PO system allows a three way match between invoice, PO and receipt of good. Therefore, all three must match in order to generate a payment. Once a match is made, the PO is closed and no further payments can be processed; thus preventing a duplicate payment. System based controls decrease the risk of an undesirable event, for example duplicate payments. Currently, most duplicate payments are being detected after the payment has been processed. From a control framework perspective, having preventative controls reduces the likelihood of the undesirable event occurring in the first place. Having system based controls rather than a manual check reduces the likelihood of an error, and can decrease processing time of invoices. This in turn, reducing the cost of processing an invoice, as the process becomes more automatic rather than manual. The PeopleSoft System was

Partially
Implemented

installed in 2001. Although, Finance is in the process of moving more PO's to PeopleSoft, it is understood that full implementation is still a few years away.

Original Management Response

The overall management response at the beginning of this report highlights the key controls in Accounts Payable. At the time that PeopleSoft was implemented, the business process that was established included using PeopleSoft POs for purchases greater than \$5,000 as well as blanket POs and contract numbers. For purchases less than \$5,000 legacy POs and contract numbers and blanket POs if appropriate were to be used. When purchases are made pursuant to a contract, blanket purchase number or legacy PO, the operating department approves the actual invoice for payment by the appropriate signing authority signing the invoice. The signature is evidence that the operating department has authorized the purchase, received the purchase and confirms that the invoice accurately charges for goods or services that were authorized and received and is in accordance with the contract, blanket order or legacy purchase order and is therefore authorized for payment. We do agree that there is a need to move more purchases to PeopleSoft POs and to this end a project was initiated in the fall of 2009 to review the purchasing and payables cycle. There are many recommendations that have stemmed from this review and staff continues to work to implement these recommendations. A key recommendation was to move more purchases to PeopleSoft POs. Changes to the purchasing cycle involve extensive changes to business processes as well as cultural change and consequently will take some time.

Actions Taken, Results and /or Actions Planned

Finance is encouraging the use of Peoplesoft Purchase orders, where efficient. Finance has implemented additional functionality such as procurement contracts to ease the process. In addition, Commitment Control has been implemented. The City will continue to increase the use of PeopleSoft purchase orders and this will be an on-going process.

Recommendation (n)

Access to PeopleSoft should be revoked within a reasonable time of the employee leaving the department. It has been noted that a 'PeopleSoft Finance Access Request' form is in the process of being implemented. This form is used to grant, modify and revoke PeopleSoft access. It is recommended that once this form is implemented, that it be used by all departments within the City. In addition, on a regular basis, FIS should provide department managers with a listing of employees with their current system access. Each manager should review the listing for appropriateness and notify FIS in writing of any required changes. All changes received by FIS should be made on a timely basis.

Fully or
Substantially
Implemented

Original Management Response

Accounts Payable will work with FIS to develop forms and a reporting strategy.

Actions Taken, Results and /or Actions Planned

Peoplesoft access security policy and procedures have been completed.



Brian Bigger, CGA, CRMA

Auditor General for the City of Greater Sudbury



Audit Follow Up Report

September 23, 2013

To: Pre Audit Sub Committee
From: Brian Bigger, Auditor General

Re: Conventional Transit

Audit Report Released	August 2011
Original # Of Recommendations	16
# Of Action Plans Previously Completed	0
# Of Action Plans Now Completed	15
# Of Action Plans On Next Follow Up	1
Status As Of June 30, 2013	On Track

Recommendation and Summary Of Progress (Note: Self assessment conducted by Transit Services)	Self-assessed Status
---	-------------------------

Recommendation 1	
Annual or semi-annual business plans, describing planned initiatives, performance measures and performance targets should be developed, and communicated to the Transit Committee, and Council in support of future strategic direction and budget deliberations. This is a fundamental element in support of the quality of stewardship over public funds and the achievement of value for money in operations.	Alternative Action Taken
<u>Original Management Response</u> Transit will follow the same direction as the rest of the corporation in regards to business plans.	
<u>Actions taken, results and /or actions planned</u> Transit's plan is presented on an annual basis through the Infrastructure Services budget .	

Recommendation 2	
The U-Pass agreement is up for renewal on April 30, 2011. Therefore, there is an opportunity that before the contract is renewed, the costs and goals of the program can be evaluated. There is the opportunity to decide the direction of the program and whether the program should be revenue neutral, continue to be subsidized by gas tax grants (within the capital plan), or eliminated entirely.	Alternative Action Taken

Original Management Response

All the information provided by the auditor has been presented to the transit committee and council on several occasions since the implementation of the U-Pass program. The auditor states in his opening letter that "Our findings and conclusions are based on a comparison of the conditions as they existed at the time the auditors entered this area". At the time the auditor entered this area council had already vetted this issue on at least four occasions and had clearly decided that the U-Pass was beneficial to the city and the students. A plan to offset the loss in revenue was presented to council and approved. Council has recently approved a new 3 year agreement with the students of Laurentian University.

Actions taken, results and /or actions planned

The U-Pass program is no longer subsidized by gas tax grants. The contract is reviewed and approved by council as required. Council has recently approved the U-Pass program for Graduate Students of Laurentian University. Students from the School of Architecture will also be using the U-Pass program. Staff will provide a report to the operations committee in the new year ahead of the agreement renewal.

Recommendation 3

Additional information should be obtained for each Trans Cab ride so that Transit can verify the accuracy of monthly bills.

Fully or
Substantially
Implemented

Original Management Response

The RFP for Trans Cab has recently been awarded. Detailed reports will continue to be provided over the term of the contracts.

Actions taken, results and /or actions planned

Completed as recommended with assistance from Finance

Recommendation 4

An annual parts inventory count should be performed with the assistance of CGS Finance staff.

Fully or
Substantially
Implemented

Original Management Response

The issue of inventory will be considered and dealt with during the transition phase moving from two stockrooms to one at the new transit garage.

Actions taken, results and /or actions planned

Annual parts inventory has been and will continue to be performed with the assistance of CGS Finance staff as recommended.

Recommendation 5

Management needs to establish inventory count policies and procedures.

Fully or
Substantially
Implemented

Original Management Response

The issue of inventory will be considered and dealt with during the transition phase moving from two stockrooms to one at the new transit garage.

Actions taken, results and /or actions planned

All parts have been moved to the same inventory system as the Fleet division. Inventory policies, procedures and levels continue to be updated in preparation for the move to the Lorne Street facility.

Recommendation 6

Rebuilt or used parts should have a separate inventory part number and also be valued at the lower of the cost of rebuild, salvage, or net realizable value.

Fully or
Substantially
Implemented

Original Management Response

Likely not practical but will take the recommendation into consideration. In many cases we keep old retired buses for parts until there is no value remaining. Not sure that we should have to inventory every part of an old bus before even knowing if we are even going to use it.

Actions taken, results and /or actions planned

Rebuilt parts are valued and inventoried. There are still some occasions that we salvage parts from a retired bus.

Recommendation 7

Work orders should be completed for all work performed by fleet mechanics to facilitate cost and productivity management and the achievement of value for money in operations.

Fully or
Substantially
Implemented

Original Management Response

The current work order program was never used to determine productivity. The introduction of this recommendation will result in less productivity and would require more FTE's in order to get the paper work and physical work completed. All work performed by mechanics are covered under time slips. The transit fleet has an "A" classification as audited by the ministry. We will continue to perform our duties as we always have. When we join with fleet in the new building we can perhaps look at different fleet management systems.

Actions taken, results and /or actions planned

The transit garage is now on the same work order system as Fleet.

Recommendation 8

Work orders should be entered accurately and in a timely manner by the mechanics.

Fully or
Substantially
Implemented

Original Management Response

Work orders are currently entered by support staff. It would be unproductive to have mechanics perform this type of work

Actions taken, results and /or actions planned

A consistent work order system has been established for all Transit & Fleet garages.

Recommendation 9

Additional training is required for those responsible for ensuring all defects from the waybills are reported on the Daily Vehicle Defect Report.

Fully or
Substantially
Implemented

Original Management Response

All proper policies and procedures are in place to ensure that all defects are taken care of. No additional training is required

Actions taken, results and /or actions planned

All employees are trained on the process to properly report defects.

Recommendation 10

The Manager of Transit Fleet and Facilities needs to ensure that the semiannual safety inspections and the annual inspections are completed in the timeframe as regulated under Ontario Highway Traffic Act R.R.O. 1990. Regulation 611.

Alternative Action
Taken

Original Management Response

All safety inspections are completed within the time frame. This has been confirmed by the MTO.

Actions taken, results and /or actions planned

All safety inspections are completed within the time frame. This has been confirmed by the MTO.

Recommendation 11

Management should ensure that historical reporting functionality is achieved for the vast amounts of data being collected within the AVL system, and that the usefulness of this data in improving the value for money in operations is demonstrated.

Fully or
Substantially
Implemented

Original Management Response

The auditor's statements regarding the AVL system are inaccurate and as such no action is required.

Actions taken, results and /or actions planned

The reference to the historical data was not accurate. The AVL system continues to improve and provides valuable data to Transit Staff and Planner. Data has been received since 2009 and is used when reviewing routes, accident investigation, complaint resolution etc. The Avl system is also used to provide real time information to all transit customers.

Recommendation 12

In order to alleviate congestion at the downtown terminal, a review of the current facilities and alternatives such as additional hubs in the City, should be completed.

Alternative Action
Taken

Original Management Response

Additional hubs and alternative service delivery models have been tested in Sudbury and proven to be ineffective and unsustainable. Changes are being made to the transit terminal to provide better customer service as well as real time information. We have been reviewing the capacity of the transit terminal with our Asset Management department and will make recommendations for changes when required.

Actions taken, results and /or actions planned

The transit terminal will form part of the City's upcoming Asset Master Plan.

Recommendation 13

The needs of citizens must be considered in future route planning and analysis.

Fully or
Substantially
Implemented

Original Management Response

In 2011, transit has committed to performing route analysis, including public input sessions for some of the commuter routes. An analysis of the Lively route has already been performed and public feedback has already been obtained. Further route analysis will continue throughout the year.

Actions taken, results and /or actions planned

The needs of citizens are always taken into consideration when reviewing services. A new transit planner uses all information at his disposal including citizen feedback through public input sessions.

Recommendation 14

A formal program of route analysis activities, route planning policies and standards considering such things as ridership demographics, citizen needs and minimum ridership by route need to be established.

Partially
Implemented

Original Management Response

Accepting the auditor's recommendation will require more manpower to develop, implement and maintain these new policies and standards.

Actions taken, results and /or actions planned

Transit hired a Planner who will provide analysis of transit routes and will present a report to the Operations Committee regarding the process of rationalizing routes. Standards such as boarding counts form part of any route review and will be presented in the same report

Recommendation 15

Management should ensure that additional costs to acquire the passenger count data by stop should not be borne by Transit.

Alternative Action
Taken

Original Management Response

No additional funds have ever been required or paid.

Actions taken, results and /or actions planned

No additional funds have ever been required or paid.

Recommendation 16

Consolidated management of citizen feedback similar to the 311 system's Active Citizen Request system should be developed in order to identify opportunities for continuous improvement in satisfaction and value for money.

Alternative Action
Taken

Original Management Response

All public complaints are tracked and monitored acted upon and filed appropriately. The bulk of calls received are for information purpose only. "What time will the bus pass my house"? The remainder of calls is redirected to staff as business calls.

Actions taken, results and /or actions planned

Transit continues to track calls and has improved the availability of information to the public through the AVL system as the majority of calls continue to be schedule related.



Brian Bigger, CGA, CRMA

Auditor General for the City of Greater Sudbury



Audit Follow Up Report

September 23, 2013

To: Pre Audit Sub Committee
From: Brian Bigger, Auditor General

Re: Handi Transit

Audit Report Released	August 2011
Original # Of Recommendations	6
# Of Action Plans Previously Completed	0
# Of Action Plans Now Completed	6
# Of Action Plans On Next Followup	0
Status As Of June 30, 2013	Completed

Recommendation and Summary Of Progress (Note: Self assessment conducted by Transit Services)	Self-assessed Status
---	----------------------

Recommendation 1

Transit should put together a long term strategy for Handi Transit that considers the impact of the continuous growth in demand for Handi Transit Services on future costs. Expected long term outcomes, desired levels of service and funding needs for this program should be clearly identified to enable an evaluation of the achievement of value for money.

Original Management Response

No Response

Actions taken, results and /or actions planned

The City publishes an accessibility plan on an annual basis. Transportation forms part of the published plan. Transit staff has also presented recommendations to the Operations Committee for consideration which take into account the sustainability and growth of the system.

Fully or
Substantially
Implemented

Recommendation 2

Transit Services should offer free ride incentives (limited trials), and bus transfers (to conventional transit), to encourage riders eligible of Handi Transit. This will encourage increased use of, and familiarity with the conventional transit system.

Alternative Action
Taken

Original Management Response

We will attempt to make a difference without discriminating or subsidizing a new program.

Actions taken, results and /or actions planned

Transit engaged in an education campaign promoting the use of the conventional system.

Recommendation 3

With Transit's fleet comprising of 100 percent low floor buses by mid 2011, Transit Services should take the opportunity to work with the Accessibility Committee to revisit the eligibility requirements for Handi Transit, and to evaluate the possibility of offering seasonal passes.

Fully or
Substantially
Implemented

Original Management Response

In light of the fact that the transit fleet will soon be 100% accessible, staff will ask the accessible advisory committee to review the eligibility form and make appropriate recommended changes for council's approval.

Actions taken, results and /or actions planned

Recommendations have been approved by the Operations Committee and will be implemented Jan 1 2014.

Recommendation 4

Management should collect the pickup and drop off data for all Handi Transit rides from the Handi Transit service provider. This data can aid management in future route planning and bus stop placement decisions on the conventional transit system.

Alternative Action
Taken

Original Management Response

Included in Staff's plan is to work with the service provider to continue to remove barriers and to integrate the two tier systems where possible. We will work on coordinated dispatch as well as providing portions of rides on the conventional and Handi Transit systems.

Actions taken, results and /or actions planned

Transit staff will continue to work with the service provider and the Accessibility Advisory Panel to remove barriers where possible. Pick up and drop off locations are reviewed and considered during route planning.

Recommendation 5

As it is current Transit policy that drivers can make a special request stops, this information should be communicated through Transit's website, and other information sources.

Fully or
Substantially
Implemented

Original Management Response

No Response

Actions taken, results and /or actions planned

Completed.

Recommendation 6

There are currently no City standards for designing accessible bus stops and/or bus shelters. It is a good practice for standards to be developed that would improve the accessibility of the transit system for all riders. Management should give accessibility maintenance and design priority to conventional system bus stops that are in close proximity to important destinations for Handi Transit users.

Alternative Action
Taken

Original Management Response

We will follow Ontario standards as developed.

Actions taken, results and /or actions planned

We will continue to follow Ontario standards as developed. Transit staff is also working directly with Construction Services to identify and remove barriers at transit stops and to make appropriate recommendations prior to the construction phase of road work.

A handwritten signature in black ink, appearing to read 'BBigger'.

Brian Bigger, CGA, CRMA

Auditor General for the City of Greater Sudbury



Audit Follow Up Report

September 23, 2013

To: Pre Audit Sub Committee
From: Brian Bigger, Auditor General

Re: Transit Kiosk and Cafe Contract Management

Audit Report Released	October 2011
Original # Of Recommendations	21
# Of Action Plans Previously Completed	10
# Of Action Plans Now Closed	11
# Of Action Plans On Next Follow Up	2
Status As Of June 30, 2013	On Track

Recommendation and Summary Of Progress (Note: Self assessment conducted by Finance Services)	Self-assessed Status
---	-------------------------

Recommendation 1

Before the City enters into a contract, City Management should identify risks in drafting the contract and take care to mitigate these risks. This may include consulting with other departments within the City such as Finance, Legal, the Auditor General's office, etc., and outside legal experts in drafting particular kinds of contracts. Auditor Comments: Departmental signoffs and the Due Diligence process did not work as expected. The facts show that this contract was not well written and did not accurately reflect the relationship between the City and the Company. To properly mitigate the risk of loss, the sales proceeds should have been deposited on a timely basis into a City bank account instead of the management company's bank account, and that any outstanding amounts were to be held in "Trust".

Alternative
Action Taken

Original Management Response

Management does identify business and operational risks (in accordance with the Due Diligence by-law (2001-296F) and factors appropriate provisions into the language of contracts. Departments engage in consultation between departments when contracts are drafted and/or entered into and as appropriate. Where there are multiple department reviews of a contract each department signs off on the contract. No Action Required.

Actions Taken, Results and /or Actions Planned

Management continues to work closely with Legal Services to ensure contracts are drafted with appropriate provisions to ensure stewardship of taxpayers dollars.

Recommendation 2

Departmental Management should be required to ensure that all contracts are managed and performed according to their terms.

Fully or
Substantially
Implemented

Original Management Response

Agreed. Management will undertake a review of the processes and policies and procedures related to contract administration. Timing is to be determined.

Actions Taken, Results and /or Actions Planned

Draft Purchasing By-law changes approved by Finance and Administration Committee in April 2013.
Procurement Contract Administration Policy to be presented to Finance and Administration Committee in August 2013

Recommendation 3

To obtain full value for money, the City should ensure it receives a final copy of all consultants' reports where draft reports are provided. These reports should be disseminated to appropriate staff. Auditor Comments: When the Auditors attended Transit in our Cash Handling Audit, we found that improved cash and ticket handling procedures were not documented. Transit also used the control deficiencies identified by KPMG in a request to Council for the creation of the Cashier position.

Alternative
Action Taken

Original Management Response

As per the engagement letter of February 4, 2008, KPMG was engaged by management to provide assistance with the development of cash and ticket handling procedures and train staff in following these procedures. A report was not a requirement of this engagement. What was gained by the City are improved cash and ticket handling procedures. The effectiveness of these improvements was reported on in the AG's report regarding Cash Handling at Transit. When consultants are engaged to provide reports, it is City practice to obtain final copies. No Action Required

Actions Taken, Results and /or Actions Planned

No Action Required

Recommendation 4

When a contract is extended or renewed, the City should ensure that it is not owed any money unless such debt is specified in the contract. Additional contracts should not be awarded if the company owes the City money.

Fully or
Substantially
Implemented

Original Management Response

Agreed. As provided by the Records and Reputation clause in the City's procurement documents, the City can choose not to award a contract if there are large outstanding balances owing to the City. Also the Accounts Receivable policy provides for amounts owing to suppliers to be offset by amounts owed to the City. Staff will review existing policies and enhance business procedures to ensure that these existing controls are effective.

Actions Taken, Results and /or Actions Planned

Aged Accounts Receivable listings are sent to Senior Management Team members. Draft Purchasing By-Law changes approved by Finance and Administration Committee in April 2013.
Procurement Contract Administration Policy to be presented to Finance and Administration Committee in August 2013

Recommendation 5

Contracts should not be extended or renewed if the terms and conditions of the original contract have not, or can no longer be followed.

Fully or
Substantially
Implemented

Original Management Response

See 2 above.

Actions Taken, Results and /or Actions Planned

Draft Purchasing By-Law changes approved by Finance and Administration Committee in April 2013.
Procurement Contract Administration Policy to be presented to Finance and Administration Committee in August 2013

Recommendation 9

Management should consider developing a new policy for determining the amount of the letter of credit. For example, the value of the contract as well as other risks (financial, operational, etc.) should be considered in establishing an amount for the letter of credit. The policy should consider instances where exceptions are made, how these exceptions are documented and what approvals are necessary.

Partially
Implemented

Original Management Response

The City's construction contracts for capital projects have specific guidelines for the amounts that the City is to collect for bid deposits, bid bonds and letters of credit. Building on the guidelines in place for construction contracts, Purchasing, in consultation with Legal, will develop a policy and procedure that will apply to other types of contracts by the end of the first quarter of 2012.

Actions Taken, Results and /or Actions Planned

The City has established guidelines, and the draft purchasing by-law has been amended to state that the Authorized Person must approve the securities. However Supplies and Services will develop a formal written policy for Contract Securities (Letters of Credit). It is anticipated that this will be completed in Q1 2014

Recommendation 10

When letters of credit are used, they should be reviewed when contracts are extended and renewed, and changes made as required. Having the ability to review and make changes to the amount of a letter of credit must be included as part of the terms of the contract. If a letter of credit to an acceptable amount cannot be secured, other controls should be put in place to ensure collectability of City funds.

Fully or
Substantially
Implemented

Original Management Response

It is the City's practice to review letters of credit and certified cheques when contracts are renewed and extended. As noted by the AG in his comment at 9, there are many factors that are considered when establishing the amount of the letter of credit. Clarification will be provided by the action plan in Item 2 and 9 above.

Actions Taken, Results and /or Actions Planned

Draft Purchasing By-Law changes approved by Finance and Administration Committee in April 2013.
Procurement Contract Administration Policy to be presented to Finance and Administration Committee in August 2013

Recommendation 11

If the City pursues any further collection attempts on the receivables owing, the City should attempt to collect the full amount of interest payable on the account.

Alternative
Action Taken

Original Management Response

Council has been advised by Legal that the City is in the process of conducting examinations of the Company in an effort to determine if there is any possibility of collecting on the court judgment against the Company. Further comments cannot be provided since they relate to matters where direction was provided by Council in-camera. Regarding the potential interest payable, a balanced discussion of this issue is required. There are two positions that could effectively be made. One is that the interest is owed and the other is that the interest is not owed. The AG's position is that the interest is owed. On the other side of the discussion the following should be noted. The 1999 contract had interest but the 2004 contract did not have an interest provision and therefore it could be argued that there was an agreement not to charge interest. Further, since interest was not billed, the supplier would not have knowledge that interest was owed and consequently it could be argued that no interest applies. If the imputed interest argument fails, then the City is left with the Court rates applicable to litigation which is very conservative. The rate the City was awarded on the judgment against 1211250 Ontario Inc. was 2% per year (compounded annually) which is much lower than the imputed interest rate of 15% per year. The claim of \$252,000 in accumulated imputed interest is far from certain and would be challenged. Legal will consider this as it moves forward.

Actions Taken, Results and /or Actions Planned

The City has since completed all examinations and the City has a judgement against 1211250 Ontario Inc. and a writ of seizure and sale. Legal Services will be monitoring these on an annual basis.

Recommendation 17

In order to simplify lease administration and reduce the risk of payment errors, the City should develop a system to flag when lease and contract renewals are coming due.
Auditor Comments: This solution was identified by management, and the Auditor General agrees that this would improve internal controls. It is a normal internal audit practice to recommend improvements working cooperatively and with the advice of management.

Partially
Implemented

Original Management Response

The AG has adopted a recommendation in this updated report that was put forward by management in its response to the original recommendation. A system to flag when lease and contract renewals are coming due is required. If there is an effective system in place, then the renewal date should not be an issue. We do not agree that it would be more beneficial to have all leases renewing on January 1 and further it is not common business practice. Renewing leases and contracts can be significant work and having it all occur for January 1 is not practical. Action plan described in item 2 above.

Actions Taken, Results and /or Actions Planned

Draft Purchasing By-Law changes approved by Finance and Administration Committee in April 2013.
Procurement Contract Administration Policy to be presented to Finance and Administration Committee in August 2013. In addition staff is pursuing the notification features within Procurement Contract Functionality in PeopleSoft.

Recommendation 18

If any further collection attempts can be made, the City should attempt to recover the missed revenues under the terms of the contracts. Auditing the financial records of the company would determine the actual amount owing to the City.

Alternative
Action Taken

Original Management Response

Legal will assess the City's abilities to collect these amounts. This is on-going.

Actions Taken, Results and /or Actions Planned

The City has since completed all examinations and the City has a judgement against 1211250 Ontario Inc. and a writ of seizure and sale. Legal Services will be monitoring these on an annual basis.

Recommendation 19

As part of the City's due diligence in awarding contracts, business searches should be considered. The City would need to state in the RFP that the City may request that the vendor submit to a business search prior to the award of the contract. A business search should be mandatory for all revenue generating contracts. Due to the cost of performing such a search, for all other contracts, management should decide and document whether to request that the vendor do a business search.

Fully or
Substantially
Implemented

Original Management Response

Management will undertake a review of the processes, policies and procedures related to contract administration (as noted in 2 above). In addition, this will be reviewed when the updated purchasing by-law is presented to Council. To be reviewed by Legal and Purchasing in 2012.

Actions Taken, Results and /or Actions Planned

Draft Purchasing By-Law changes approved by Finance and Administration Committee in April 2013.
Procurement Contract Administration Policy to be presented to Finance and Administration Committee in August 2013



Brian Bigger, CGA, CRMA

Auditor General for the City of Greater Sudbury



Audit Follow Up Report

September 23, 2013

To: Pre Audit Sub Committee
From: Brian Bigger, Auditor General

Re: Water Main – Emergency Repairs

Audit Report Released	April 2012
Original # Of Recommendations	11
# Of Action Plans Previously Completed	0
# Of Action Plans Now Completed	11
# Of Action Plans On Next Follow Up	0
Status As Of June 30, 2013	Completed

Recommendation and Summary Of Progress (Note: Self assessment conducted by Water / Wastewater Services)	Self-assessed Status
--	-------------------------

Recommendation 1	
<p>When the Auditors brought an observed excavation that did not meet OHSA O. Reg. 213/91 to Management's attention, they investigated and took immediate action to formally address this incident with the workers involved. Management must ensure that tools and options required for excavation work in accordance with the Act are available to all City work crews.</p> <p><u>Original Management Response</u></p> <p>Management intends to remedy the noted deficiencies and take concrete actions to consistently meet the safe trenching requirements.</p> <p>Changes to trenching equipment and business processes have already started and will be in full effect by the end of the second quarter 2012.</p> <p><u>Actions Taken, Results and /or Actions Planned</u></p> <p>Modernized excavation techniques using hydro-excavation, use of different types of trench boxes, and more innovative tools requiring less space and causing less requirements to enter the trenches. Cost containment on restoration costs and overtime have been achieved.</p>	Fully or Substantially Implemented

Recommendation 2

Based on an average 7 foot depth excavation, our analysis indicated that a 20 tonne dump truck / backhoe / trench box method is the most economical, efficient and effective method. Supervisors should document their work plan instructions on CMMS job cards for emergency repairs in support of excavation crews who are expected to consider other options based on the actual conditions of each excavation.

Fully or
Substantially
Implemented

Original Management Response

Procedural changes to adopt this method as the standard operational mode have already been taken. This method will be implemented whenever specific site conditions allow.

Supervisors have started attaching work instructions to CMMS job cards.

Actions Taken, Results and /or Actions Planned

More appropriate trench boxes were purchased and significant additional training and procedural changes have occurred. Excavation staff were also re-aligned and a specialized city-wide digging program was implemented to ensure consistent and more optimal use of resources is used. This program has significantly changed our approach to excavations since full implementation occurred in the fall of 2012. So far this change is achieving those stated objectives.

Recommendation 3

The volume and carrying capacity of dump trucks commonly used in current excavation projects contributes to unproductive wait times for City excavation resources, and can contribute to unnecessary overtime. Management should take the necessary steps to ensure the consistent use of larger 20 tonne dump trucks which will allow the City to save resource hours on each excavation.

Fully or
Substantially
Implemented

Original Management Response

Management has requested that fleet convert three existing 10 tonne dump trucks to 20 tonne dump trucks at the first available opportunity.

Fleet advises that the incremental cost per truck is about \$35,000 and the conversion can be completed over the next two years within existing Fleet capital allocations.

In the interim, we will coordinate with Roads to utilize any of their existing 20 tonne trucks that may be available during non winter control periods.

Actions Taken, Results and /or Actions Planned

With the increased use of hydro-excavation technology and trench boxes, we move substantially less material, especially during summer months when there are less emergencies. We are able to exchange trucks to make use of Roads tandems during summer months when they are not being used for plowing and Roads operations benefit from the single axles. W/WW expects to receive 2 - 20 tonne trucks by the end of 2013 - in time to coincide with the 2013/2014 peak emergency repair times, where larger excavations are most often involved and the larger trucks are most beneficial.

Recommendation 4

Update the Standard Operating Procedures to reduce a standard repair crew size to three rather than four. The crew size can be reduced by 1.0 FTE (Relief Operator) on each excavation. Some exceptions may be required.

Fully or
Substantially
Implemented

Original Management Response

This recommendation has already been implemented and the employee resources redeployed to other core operational work tasks.

Actions Taken, Results and /or Actions Planned

Standard crew deployment has changed from a 4 person crew to a 3 person crew since the time of the audit. The resources freed up from this change have been redirected other essential core work allowing us to more with the same total number of employees.

Recommendation 5

During unproductive wait time, Management should consider scheduling preventative maintenance work within the same proximity of the job for the Operator B.

Fully or
Substantially
Implemented

Original Management Response

Management has begun scheduling preventative maintenance work in the area of the work site for the Operator B.

This recommendation is scheduled to be fully implemented by the end of the second quarter of 2012.

Actions taken, results and /or actions planned

Given the reduced crew size opportunities for reallocating on site resources have been reduced as remaining crew members are occupied with equipment set up, delivering notices to affected homeowners, safety tailgate talks, traffic control, documenting work order data, etc. When opportunities occur for reallocating resources to other productive work nearby the resource is redeployed. This has been implemented fully at this point with existing paper based CGS work order systems however additional efficiencies can be developed once mobile capabilities and the GIS based CityWorks CMMS systems are in place.

Recommendation 6

Management should review the current process of dispatching entire crews to the job site. When safe to do so, less staff may be required to be dispatched to the work site until locate information is obtained, providing the opportunity to save resource hours.

Fully or
Substantially
Implemented

Original Management Response

Management has already begun to deploy the crews to and from work sites on an incremental basis as required by the site specific conditions and requirements.

Actions Taken, Results and /or Actions Planned

With the centralization of excavation resources we have been able to more consistently obtain locates (using a single CGS resource) prior to dispatching the crew. Effectively this has meant that this recommendation is substantially been implemented. At this time, crews seldom are deployed without first receiving locates.

Recommendation 7

Management must continue to improve and re-enforce the organizations commitment to internal controls intended to detect the abuse or falsification of overtime.

Fully or
Substantially
Implemented

Original Management Response

Management has implemented improved controls including improved pre-approval processes, increased time sheet documentation requirements and supervisory reviews, and spot checks of depot activity to detect and control abuse or falsification of overtime.

Actions Taken, Results and /or Actions Planned

Along with the increased controls that were implemented, there is less opportunity for overtime as we have introduced our new excavation technologies that are reducing the total time required to complete the repairs. As part of a larger ISD initiative Automated vehicle locating systems are being implemented. This additional

data on vehicle locations will improve safety for our staff and help staff plan work more effectively.

Recommendation 8

Allowing workers to work through their lunch does not provide value for money. This practice should be discouraged whenever possible unless required to improve service to the public.

Fully or
Substantially
Implemented

Original Management Response

Changes to work processes have been implemented to discourage working through lunch unless required to protect public health and safety.

Actions Taken, Results and /or Actions Planned

The 2013-2016 CBA has all operators working on a shift schedule eliminating all overtime opportunities at lunch and extending straight time capability over days & afternoon shifts.

Recommendation 9

Management should continue to work with the Union in order to explore the use of afternoon shifts and other non-dayshift options for Water/Wastewater work crews.

Fully or
Substantially
Implemented

Original Management Response

Management is actively continuing attempts to achieve consent from the Local Union to implement non-dayshift, non-weekday straight time shift opportunities.

Actions Taken, Results and /or Actions Planned

The 2013-2016 CBA has all operators including hydro excavation employees working on a shift schedule that allows for daytime and afternoon shifts.

Recommendation 10

Management should consider centralizing water/ wastewater operations. The location should have adequate storage for parts, stockpiles and meet all health and safety requirements. Centralization will enable the establishment of specialty teams, aid in supervision and employee deployment.

Alternative
Action Taken

Original Management Response

A list of requirements has been prepared to identify required improvements to the existing core depot or any new strategically located depot option that will reduce travel times, satisfy health & safety, provide indoor heated storage for hydro excavation trucks, excavation trailers, other parts & equipment, along with other requirements to support centralized staff deployment and the specialty crew concept.

Actions Taken, Results and /or Actions Planned

CGS Depot asset management review study is underway

Recommendation 11

Management should focus on the consolidation and rationalization of obsolete or overstocked repair parts and establish and maintain desired inventory levels for parts. Centralizing inventory will reduce costs of maintaining buildings, assist in ensuring parts are stored in a safe and organized manner, and that desired inventory levels are maintained.

Fully or
Substantially
Implemented

Original Management Response

Management will emphasize rationalization of existing inventory and in association with the central depot concept above, develop a central inventory concept where parts will be stored in a safe and organized manner. Depletion of existing parts inventory will commence through 2012 and a centralized parts inventory will be coordinated with implementation of Recommendation 10 (Centralized Depot).

Actions Taken, Results and /or Actions Planned

A significant amount of stock from outlying depots has been centralized using existing resources and space available. Depot reviews currently underway includes considerations to help rationalize and centralize stock.



Brian Bigger, CGA, CRMA

Auditor General for the City of Greater Sudbury



Audit Follow Up Report

September 23, 2013

To: Pre Audit Sub Committee
From: Brian Bigger, Auditor General

Re: Roads - Impact Of Changes To Road Design

Audit Report Released	August 2012
Original # Of Recommendations	13
# Of Action Plans Previously Completed	0
# Of Action Plans Now Closed	11
# Of Action Plans On Next Follow Up	2
Status As Of June 30, 2013	On Track

Recommendation and Summary Of Progress (Note: Self assessment conducted by Roads Division)	Self-assessed Status
---	-------------------------

Recommendation 1

The City should improve policies, procedures and reports supporting accountability for rejection of inferior products and enhanced follow-up on warranty issues.

Partially
Implemented

Original Management Response

Will formulate reporting procedure for test results. This can be completed within six months (March 2013).

Actions Taken, Results and /or Actions Planned

All test results are reported to the Chief Field Inspector for distribution. As a result of discussions at the annual contractor's meeting there was subsequent committees comprised of staff and contractors formed to address a variety of issues, including developing a formal procedure for warranty issues.

Recommendation 2

The City should further investigate rejectable materials from previous and current projects, and establish appropriate remedies where warranty provisions allow.

Fully or
Substantially
Implemented

Original Management Response

Will monitor and continue to monitor areas already identified and determine corrective measures. This has been implemented.

Actions Taken, Results and /or Actions Planned

Staff continue to monitor areas already identified and determine corrective measures. A formal warranty procedure is being developed by a committee comprised of staff and contractors.

Recommendation 3

The City should require asphalt suppliers to provide their quality control test results in accordance with OPS to Construction Services (as they become available) for all asphalt supplied to the City. Any deficiencies in the quality of the asphalt should be made known to management immediately so that corrective action can be taken if deemed necessary.

Fully or
Substantially
Implemented

Original Management Response

Asphalt suppliers will provide their quality controls results to Construction Services as per Ontario Provincial Standard Specification 310 Construction Specification for Hot Mix Asphalt Table 6 Sampling & Testing Frequency of Hot Mix Asphalt. This will be introduced starting January 1, 2013 and will become a standard for all future contracts. Contractors will be informed at the Annual Contractors Meeting.

Actions Taken, Results and /or Actions Planned

At the Annual Contractors meeting held on March 26 2013, the Asphalt Producers were informed that when requested by the City, all asphalt quality controls were to be submitted. This also conforms to the present Ontario Provincial Standard Specification.

Recommendation 4

The City lab should immediately begin testing gradation and asphalt cement content according to the job mix formula as specified under OPSS 310 – Construction Specification for Hot Mix Asphalt.

Fully or
Substantially
Implemented

Original Management Response

Our laboratory started testing the gradation and asphalt cement content of the job mix formula in June 2012. To be consistent, this had been implemented as of July 2012.

Actions Taken, Results and /or Actions Planned

As previously stated, the City laboratory started testing the gradation and asphalt mix formula in accordance to Ontario Provincial Standard Specification 310 in July 2012.

Recommendation 5

Costs and quantities related to major items used in change orders should be identified and tracked separately under the change order item in progress payments.

Fully or
Substantially
Implemented

Original Management Response

This was performed in the past when requested by the Project Manager since 2009.

Actions Taken, Results and /or Actions Planned

This has now become a common procedure when processing monthly progress payments. This procedure was instituted immediately following the Auditor Report of August 2012.

Recommendation 6

The City's current standard and tolerances to achieve a three percent cross fall on new construction, reconstruction or when grinding is done during a resurfacing or rehabilitation process, should be clearly stated in the contract.

Fully or
Substantially
Implemented

Original Management Response

Will state or indicate 3% cross fall and tolerances in standard drawings & specifications effective January 1, 2013. Contractors will also be made aware of this standard and tolerance at the Annual Contractors Meeting.

Actions Taken, Results and /or Actions Planned

The contracts indicate the cross fall required as of January 1, 2013.

Recommendation 7

The City should improve policies, procedures and reports supporting accountability for rejection of incorrect cross fall as specified in the contract and/or drawings in order to comply with City standards.

Partially
Implemented

Original Management Response

Will research policies and procedures of the Ministry of Transportation and other municipalities in Ontario. Time frame may be 12 to 18 months.

Actions Taken, Results and /or Actions Planned

Research is ongoing and on schedule.

Recommendation 8

The City should communicate their willingness to accept RAP in the job mix formula for local roads in accordance with OPSS standards.

Fully or
Substantially
Implemented

Original Management Response

Will communicate our willingness and encouragement to local asphalt suppliers to use RAP in the production of hot mix asphalt. Will communicate this to contractors at the Annual Contractors Meeting.

Actions Taken, Results and /or Actions Planned

At the Annual Contractors Meeting held on March 26 2013, the Contractors were encouraged to examine the feasibility of using recycled asphalt pavement in the production of hot mix asphalt. Contractors were also reminded that RAP is permissible as per the OPSS.

Recommendation 9

The City should communicate their willingness to accept RAP mixed with Granular A and Granular B Type I in accordance with OPSS standards.

Fully or
Substantially
Implemented

Original Management Response

Will communicate our willingness and encouragement to local aggregate suppliers to use RAP in the production of granular products. This will be communicated to contractors at the Annual Contractors Meeting.

Actions Taken, Results and /or Actions Planned

At the Annual Contractors Meeting held on March 26 2013, the Contractors were encouraged to examine the feasibility of using recycled asphalt pavement in the production of granular material. Contractors were also reminded that RAP is permissible as per the OPSS.

Recommendation 10

The City should continue to identify further opportunities for cost savings where road work is planned so that the asphalt removed from one road can be used on other nearby City use(s). The objective is to minimize trucking costs while recycling the greatest volume of RAP possible (in its highest and best use) to the advantage of the City.

Fully or
Substantially
Implemented

Original Management Response

Have performed this recommendation in the past and will continue to do so. Will continue to monitor best practices and other uses. (i.e. shouldering around guiderails, washouts, etc.).

Actions Taken, Results and /or Actions Planned

Staff continues to perform this recommendation as per past practice.

Recommendation 11

The City should continue to work with other interest groups and other Departments that could use the City's RAP in their nearby projects.

Fully or
Substantially
Implemented

Original Management Response

Have performed this recommendation in the past and will continue to do so. By January 2013, establish a request process where a master list will be created and maintained.

Actions Taken, Results and /or Actions Planned

Staff have communicated with other city departments on the available use of recycled asphalt pavement and a master list is maintained by the Manager of Engineering. At the present time, two locations have been submitted for the possible use of recycled asphalt pavement.

Recommendation 12

Ownership and disposition of RAP should be clearly stated in the contract documents.

Fully or
Substantially
Implemented

Original Management Response

Will include appropriate clauses in contract specifications for all future contracts starting January 1, 2013.

Actions Taken, Results and /or Actions Planned

The appropriate contract specifications have been included in all contracts starting in January 1, 2013.

Recommendation 13

If alternate City uses are not identified for the RAP, they should be directed to go to the contractor.

Fully or
Substantially
Implemented

Original Management Response

Have performed this recommendation in the past and will continue to do so as contractors become better equipped to handle large volumes of RAP.

Actions Taken, Results and /or Actions Planned

Staff continues to perform this recommendation as per past practice.



Brian Bigger, CGA, CRMA



Audit Follow Up Report

September 23, 2013

To: Pre Audit Sub Committee
From: Brian Bigger, Auditor General

Re: User Fees – Sports Fields

Audit Report Released	November 2012
Original # Of Recommendations	9
# Of Action Plans Previously Completed	0
# Of Action Plans Now Closed	3
# Of Action Plans On Next Follow Up	6
Status As Of June 30, 2013	On Track

Recommendation and Summary Of Progress (Note: Self assessment conducted by Community Development)	Self-assessed Status
---	-------------------------

Recommendation 1	
Evaluate whether the youth per participant rate should be replaced by an hourly rate. If any changes are required, it should be reflected within the User Fee By-law approved by Council.	No Substantial Action Taken
<u>Original Management Response</u> Review impact of any potential changes to minor sports playfield user fees and prepare a report to Standing Committee with options re: participant rates vs. hourly, etc. The review will be conducted in time for the 2014 playfield season.	
<u>Actions Taken, Results and /or Actions Planned</u> A report will be presented to the Community Services Standing Committee scheduled for September 16th, 2013. The report will provide a summary of the 2013 youth participant numbers for minor soccer and minor baseball and the fee charged for playfield use based on the existing per participant fee. The report will also provide a financial analysis of the revenues generated based on the participant rate fee versus an hourly rate fee. In addition, the report will provide Council with comparatives with other cities related to playfield user fees for youth sports. Should Council support changes to the youth playfield user fees, the rates would be included as part of the user fee by-law in time for the 2014 season.	

Recommendation 2

For adult associations, the City should ensure that the terms within the Facility Agreement which is signed by each association are followed so that fees are collected prior to the use of the City's facilities.

Fully or
Substantially
Implemented

Original Management Response

Staff will ensure that all adult associations provide payment in advance of the rental by way of post dated cheques or credit cards in order to guarantee the facility bookings as identified in the facility rental agreement.

Actions Taken, Results and /or Actions Planned

Leisure Administration has fully implemented this recommendation. The 2013 field allocations are confirmed only when payment is collected prior to the use of the facility through the issuing of monthly post dated cheques and/or credit card.

Recommendation 3

Leisure Services should amend the payment terms in the Facility Agreements for youth leagues, so that the City collects user fee revenue prior to the use of the facilities, similar to adult associations.

Fully or
Substantially
Implemented

Original Management Response

The payment terms will be amended for the youth playfield users and fees will be collected prior to the use of the facilities in time for the upcoming 2013 season.

Actions Taken, Results and /or Actions Planned

The youth leagues will have their fees due by June 1st with reconciliation done in September for any outstanding balances or credit due. The reconciliation is done in September in order to review and or adjust the total number of participants registered for the 2013 season.

Recommendation 4

If the City continues to charge a per participant fee for youth associations, Leisure Service should consider including a provision for participant number verification rights within the Facility Agreement for youth leagues similar to other revenue generating contracts within the City.

No Substantial
Action Taken

Original Management Response

Contingent on any decisions made from recommendation #1. The requirements would have to be incorporated into the facility use agreement.

Actions Taken, Results and /or Actions Planned

A report will be presented to the Community Services Standing Committee on September 16, 2013. The report will review the recommendation and will determine if the user fee be amended to revise the fees from a participant rate to an hourly rate. Should Council support maintaining a per participant rate recommendation, #4 would be implemented in time for the 2014 playfield season.

Recommendation 5

A best practice for user fees is for the City to set a policy framework that provides transparency and clarity, promotes consistency, and makes cost sharing amongst users more equitable. Management should present user fee target recovery options to Council after performing a full cost analysis. Since the decision for establishing user fees rests with Council, full cost analysis will better inform Council of cost recovery target options as well as their impact on user fees. Management may want to consider implementing these recommendations within Leisure Services prior to rolling it out to other departments within the City.

Partially
Implemented

Original Management Response

The City's Base Budget Preparation Policy states "that when establishing user fee rates, the (a) Cost of service, including direct, indirect costs, allocation of capital costs etc. should be considered." In addition, policy #7 of the Long Term Financial Plan states "Ensure operating revenues are sustainable and consider community-wide and individual benefits (taxes versus user fees)". In addition, there are a number of principles that provide guidance to management regarding user fees. For example, principle 3.3 states "Establish target proportions of program costs to be raised through user charges based on reviews of benefits received; Principle 3.6 states "Ensure both operating and capital costs are considered when establishing user fees (full program costing)".

Management agrees that the City should expand the use of the existing policy framework when setting user fees. As a first step, the Finance and Leisure Services department will prepare a report to Finance and Administration Committee which discloses the current and historical user fee recovery percentages for the larger programs in Leisure Services, and to seek the committee's direction regarding increasing user fees to address the City's infrastructure shortfall or to reduce the tax levy.

In addition, as part of the 2013 budget planning session, Council requested a detail breakdown on the operational costs for the following programs:

- a) camp Sudaca / Wassakwa
- b) summer playground programs
- c) fitness facilities
- d) trailer park operations

Actions Taken, Results and /or Actions Planned

As reported under "Actions Taken", management at the request of Council brought forward reports to the CS Standing Committee regarding Leisure Services review program fees for Camp Sudaca/Wassakwa, summer playground programs, fitness facilities and the trailer park operation. At the Feb. 4, 2013 CS Standing Committee meeting, Council approved net operating cost recoveries for fitness centre operations at 75% and summer playground programs at 86%. Camp Wassakwa weekly rates were increased by \$10/week in order to harmonize the weekly fees with Camp Sudaca. The fee will be increased and will be implemented in 2014. Trailer park fees were adjusted in 2012 to be in line with the North Eastern Ontario Provincial Park rates. In addition, management as part of the Arena Renewal Strategy, has provided Council with net operating/capital cost recoveries for the 14 municipally operated arenas. Council approved a user fee increase at the Gerry McCrory Countryside Sports Complex and at community arenas to offset the net operating cost at Cambrian Arena. Both facilities are operated with no impact on the levy.

Recommendation 6

User fee rates for James Jerome artificial turf should be re-evaluated to ensure it is meeting established program objectives.

No Substantial
Action Taken

Original Management Response

User fee rates for James Jerome artificial turf will be re-evaluated in time for the 2014 Playfield season.

Actions taken, results and /or actions planned

A report will be presented to Community Services Standing Committee scheduled for September 16, 2013. As part of the report, management will provide an analysis of the prime and non-prime use of the artificial turf at James Jerome during the 2012-13 season in order to determine if the user groups are using the majority of the prime time times available.

Recommendation 7

Although the exceptions found in our limited review of Sports Fields did not have a significant dollar impact, any user fee charged should be specified within the User Fee By-law which is approved by Council. Exceptions to the By-law should not be given unless explicitly approved by the General Manager.

Fully or
Substantially
Implemented

Original Management Response

Staff will review the user fee by-law on a regular basis to ensure compliance. In addition, to continue past practice, finance circulates the user fee by-law to all operating departments on an annual basis in order to provide input prior to forwarding to Council for approval. Leisure Services will ensure that new fees or adjusted fees are captured through this process.

Actions Taken, Results and /or Actions Planned

Staff are following the user fee by-law as approved by Council. Amendments to the user fee by-law are captured annually and are presented to Council on an annual basis in December. Recent amendments to the user fee by-law were approved by Council at the December 11, 2012 Council meeting.

Recommendation 8

Additional clarification should be made in the User Fee By-law as to which City fields are major or minor complexes. This should include fields covered under Joint Use Agreements for which the City can charge a fee.

No Substantial
Action Taken

Original Management Response

Clarification will be captured through the annual user fee by-law review which is circulated to operating departments for input and forwarded to Council for approval annually (December/January).

Actions Taken, Results and /or Actions Planned

Management will capture the clarification of major and minor complexes including fields covered under the joint use agreement in the next amendments to the user fee by-law which is scheduled to be submitted to Council for approval in December, 2013.

Recommendation 9

Ensure the Joint Use Agreements are updated in a timely fashion with all school boards participating in this agreement. Ensure they accurately reflect the current understanding amongst all the parties in regards to field maintenance, usage and restrictions.

Partially
Implemented

Original Management Response

Leisure staff have been working on renewing the joint use agreement since the fall of 2011. A number of meetings have been held with representatives from all Boards of Education in order to revise and update the Joint Use Agreement. A draft agreement will be circulated to senior staff and will be presented to Council for feedback. The objective is to finalize the agreement by year end 2013.

Actions Taken, Results and /or Actions Planned

Management has progressed well regarding finalizing the draft joint use agreement between the City of Greater Sudbury and the local Boards of Education. The draft agreement is scheduled to be completed for Council's review by the end of 2013. The joint use agreement, once approved by Council, will be evaluated and reviewed semi-annually by the joint use agreement committee.



Brian Bigger, CGA, CRMA

Auditor General for the City of Greater Sudbury

Presented To:	Audit Committee
Presented:	Tuesday, Oct 22, 2013
Report Date	Friday, Oct 11, 2013
Type:	Presentations

Request for Decision

Auditor General Staffing - FTE's

Recommendation

OPTION 1: THAT effective on this date, the Council approve the conversion of 3,654 Long Term Temporary (Contract) hours into 3,654 Permanent hours in support of the intended permanency of Auditor General Office.

OPTION 2: THAT effective on this date, the Council approve the conversion of 1,827 Long Term Temporary (Contract) hours into 1,827 Permanent hours associated with the Senior Auditor position in support of the Auditor General Office's pending recruitment effort.

Signed By

Auditor General
Brian Bigger
Auditor General
Digitally Signed Oct 11, 13

REPORT HIGHLIGHTS

- In 2008, Council approved 3,654 Long Term Temporary (Contract) hours to establish and staff the Auditor General's Office.
- Since 2010, the department has operated with between one and two non-union employees using all or part of the Council approved allotment of Long Term Temporary (Contract) hours.
- In 2012 Council altered the length of employment terms with Audit staff, as well as a perceived stability and permanency of the Auditor General's Office, by reducing the contract terms of Audit Staff to 12 months. (A shift to Short Term Temporary (Contract) status.) Unsurprisingly, the Senior Auditor was offered permanent employment by another local employer, and resigned.
- In 2013 Council shifted the Auditor General's Office back to Long Term Temporary (Contract) status with the signing of a two year employment agreement.
- All the while, Council and Staff have performed extensive due diligence over the Auditor General's Office.
- The work being done by these employees is shown to have special value, is of a permanent nature and requires specialized skills.
- Maintaining contract positions in these circumstances, and over more than two years does not save salary and benefit costs. Instead, costs tend to increase through turnover, loss of productivity and lack of skills.
- The Auditor General's office is down to a single employee once more, and is about to embark upon it's third full recruitment process in the last four years.
- The City would benefit by establishing more stability and permanency of the Auditor General's Office at this time.

FINANCIAL IMPLICATIONS

Significant value for money is lost through increased turnover and loss of productivity. These are direct impacts of uncertainty, instability, and questionable permanency of the Auditor General's Office.

There are no significant financial implications with the conversion of 3,654 Long Term Temporary (Contract) hours to two Permanent positions within the Auditor General's Office.

BACKGROUND

"In fulfilling our roles we commit ourselves to providing high quality service with a citizen focus; managing the resources in our trust efficiently, responsibly and effectively; encouraging innovation and accepting risks; maintaining honest and open communication; creating a climate of trust and a collegial working environment; and, acting today in the interests of tomorrow."

In a 2007 report, the Chief Financial Officer advised the Priorities Committee of Council that financial implications associated with the establishment of an Auditor General's Office would include three permanent full time staff (5,481 permanent hours).

In 2008, Council approved 3,654 Long Term Temporary (Contract) hours to establish and staff the Auditor General's Office. Since 2010, the department has operated with between one and two non-union employees using all or part of the Council approved allotment of Long Term Temporary (Contract) hours.

In 2012 Council altered the length of employment terms with Audit staff, as well a perceived stability and permanency of the Auditor General's Office, by reducing the contract terms of Audit Staff to 12 months. (A shift to Short Term Temporary (Contract) status.) Unsurprisingly, the Senior Auditor was offered permanent employment by another local employer, and resigned.

In 2013 Council shifted the Auditor General's Office back to Long Term Temporary (Contract) status with the signing of a two year employment agreement. All the while, Council and Staff have performed extensive due diligence over the Auditor General's Office. The work being done by these employees is shown to have special value, is of a permanent nature and requires specialized skills.

The Auditor General's office is down to a single employee once more, and is about to embark upon it's third full recruitment process in the last four years. It is the Auditor General's opinion that the outcome of recruitment efforts may be positively impacted by Council's efforts in communicating their support for the stability and permanency of an independent, and properly resourced Auditor General's Office.

DISCUSSION

When long term or permanent work has been known to exist immediately, for example when an increase in the number of Council Support Staff, Building Services Inspectors, or Pioneer Manor staff was required, requests for regular staff positions have been made in the annual budget.

However, as is the case for the Auditor General's Office, requests for regular staffing are often deferred until the need is confirmed or the program benefit is clearly established. In the meantime, annual budget requests include sufficient funding for resources to be obtained through temporary positions filled with contract staff. When appropriate, staff bring requests to convert these temporary positions to regular positions in the annual budget.

Temporary positions occupied with contract employees are not generally sustainable over long periods of time and two years is a logical benchmark to be set for conversion. After two years a contract employee is entitled to enrol in Ontario Municipal Employee Retirement Savings (OMERS).

The benefit package for a Long Term Temporary (Contract) position is otherwise the same as for a Permanent position, except that STD, LTD and Life/AD&D insurance coverage is not available. Therefore there is no significant difference in costs to the City of Greater Sudbury.

As to other employee relations, such as the ability to terminate employment based on performance, there is little difference after more than two years of contract renewal between contract employees and regular employees. Employment Standards Act requirements apply to both and common law rights begin to apply when employment through renewals essentially becomes indefinite. Therefore, maintaining long term contracts does not reduce contingent liabilities in respect of these non-union positions. It is only in the case of unionized workers where dismissals require proof of just cause under labour law and so layoffs require "bumping" by seniority. These positions are not union positions. Indeed, by rule of thumb, it is generally not possible to have long term contract employees in union positions because collective agreements require these workers to become regular employees after a short period of time, usually six months. (Note: The only Unionized Employees falling into the Long Term Temporary category are those covered by Schedule "B" and Letter of Commitment #14(3) - Government Grant Supported work, of the Local 4705 Inside Collective Bargaining Agreement)

The greatest problem with Temporary Contract positions is that, although one may get good qualified staff at the beginning on the hope of the contract becoming permanent, if the contract employees are not eventually converted to regular employees, turnover begins to take place at an increased rate. Generally turnover will cost up to a quarter of the position's annual salary in recruiting and training and in lost productivity. Also, it becomes increasingly difficult to recruit employees with the right skills if there is no prospect of conversion to a regular position. Under the Long Term Temporary (Contract) hours format, highly employable Internal Audit Professionals must leave their permanent full time employment to work under a part time (contract hours) arrangement with the City if they want to work for the Auditor General's Office.

Council has performed it's due dilligence through a national recruitment and selection process, a comparative forensic review during the Transit Kiosk Audit, a review of the Auditor General's Report on Transit by Transit Industry Consulting Specialists, a Professional Peer Review conducted by a representative of the International Institute of Internal Auditors, and an Efficiency/Effectiveness review conducted by a second representative of the International Institute of Internal Auditors.

CONCLUSION

It is evident that:

- The value of the work is clearly demonstrated;
- The long term or permanent nature of the work has been demonstrated;
- The work requires specialized skills that are difficult to retain in a contract employment environment.
- Permanent employee positions are preferred over contracting or outsourcing for Internal Audit work for a number of reasons including knowlege retention, and lower costs.

Maintaining contract positions in these circumstances over more than two years does not save any costs for salaries and benefits nor does it reduce contingent liabilities, rather it costs more through turnover, loss of productivity and lack of skills.

The City would benefit by establishing more stability and permanency of the Auditor General's Office at this time, creating a climate of trust and a collegial working environment and, acting today in the interests of tomorrow.

The benefits can be realized if Council approves the conversion of Long Term Temporary (Contract) hours

into Permanent hours within the Auditor General's Office.