

Agenda

AuditCommittee

1st Meeting of the Audit Committee

February 15, 2023, 12:00 PM

Council Chambers - Please check the City website for additional meeting detail information. Meetings can be viewed via live-streaming on YouTube and the City Website.

The City of London is situated on the traditional lands of the Anishinaabek (AUh-nish-in-ah-bek), Haudenosaunee (Ho-den-no-show-nee), Lūnaapéewak (Len-ah-pay-wuk) and Attawandaron (Add-a-won-da-run).

We honour and respect the history, languages and culture of the diverse Indigenous people who call this territory home. The City of London is currently home to many First Nations, Metis and Inuit people today.

As representatives of the people of the City of London, we are grateful to have the opportunity to work and live in this territory.

Members

Deputy Mayor S. Lewis (Chair), P. Cuddy, S. Stevenson, J. Pribil, I. Cheema

The City of London is committed to making every effort to provide alternate formats and communication supports for meetings upon request. To make a request for specific to this meeting, please contact accessibility@london.ca or 519-661-2489 ext. 2425.

Pages

1. Call to Order

1.1 Disclosures of Pecuniary Interest

1.2 Election of Vice Chair for the term ending November 30, 2023

2. Consent

3. Scheduled Items

4. Items for Direction

4.1 Audit Committee High Level Overview

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4.2 Audit Planning Report for the Year Ending December 31, 2022

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4.3 London Downtown Closed Circuit Television Program for the Year Ending December 31, 2022

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4.4 Internal Audit Follow Up Activities Dashboard

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4.5 Briefing Note from Internal Auditor

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4.6 Neighbourhood Decision Making Program Value for Money (VfM) Audit

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5. Deferred Matters/Additional Business

6. Adjournment



London
CANADA

Audit Committee High Level Overview

February 15, 2023



Audit Committee



Reports directly to the Municipal Council and oversees all audit matters, including evaluation of internal and external services to ensure effective, independent, yet complementary audit services are received.



Reviews and recommend approval of the annual consolidated financial statements provided by External Auditor.



Receive reports by the Internal Auditor and discuss findings and recommendations with Administration, reporting recommendations to Municipal Council.



Terms of Reference: <https://london.ca/special-committees>



External Auditor

- Required by the *Municipal Act, 2001*
- Audits consolidated Financial Statements
- Presents audit planning reports and audit results to Audit Committee
- Provides a “Management Letter”
 - Identifies any weakness in Internal Control
 - Makes observations on performance improvement opportunities
 - Identifies areas of potential risk that may affect future financial performance
- Current External Auditor: KPMG LLP



External Audit Role of the Audit Committee

- Review the scope, principles and materiality limits of the annual audits;
- Review the auditors' report and audited consolidated financial statements;
- **Satisfy itself** that the financial statements present fairly, the financial position and results of operations;
- **Satisfy itself** that there are no unresolved issues between the Administration and the auditors;
- To review the auditors' management letters, together with the implementation plans;
- Make recommendations to Municipal Council on these matters

Internal Auditor

- Function outsourced in 2010
- Prepares a three (3) year – risk based audit plan
- Independent and objective review of all key functional services areas, including:
 - Review systems of Internal Control
 - Special reviews as requested by Audit Committee
 - Makes observations on performance improvement opportunities, risk mitigation, and value-for money recommendations
 - Provide on-going status updates with respect to recommendations
- Current Internal Auditor; MNP LLP
- [Internal Audit Charter](#) – MNP presented to Audit Committee June 15, 2022 and approved by Council July 5, 2022



Internal Audit Role of the Audit Committee

- Annually review and approve the work plan from the internal auditor, including providing input for the risk-based audit plan;
- Receive reports of internal auditors and discuss findings and recommendations with Administration;
- Review and approve special assignments from time to time
- Follow-up on status of recommendations
- Report recommendations to Municipal Council



The Corporation of the City of London

**Audit Planning Report
for the year ended December 31, 2022**

KPMG LLP

Licensed Public Accountants

February 15, 2023

KPMG contacts

Key contacts in connection with this engagement



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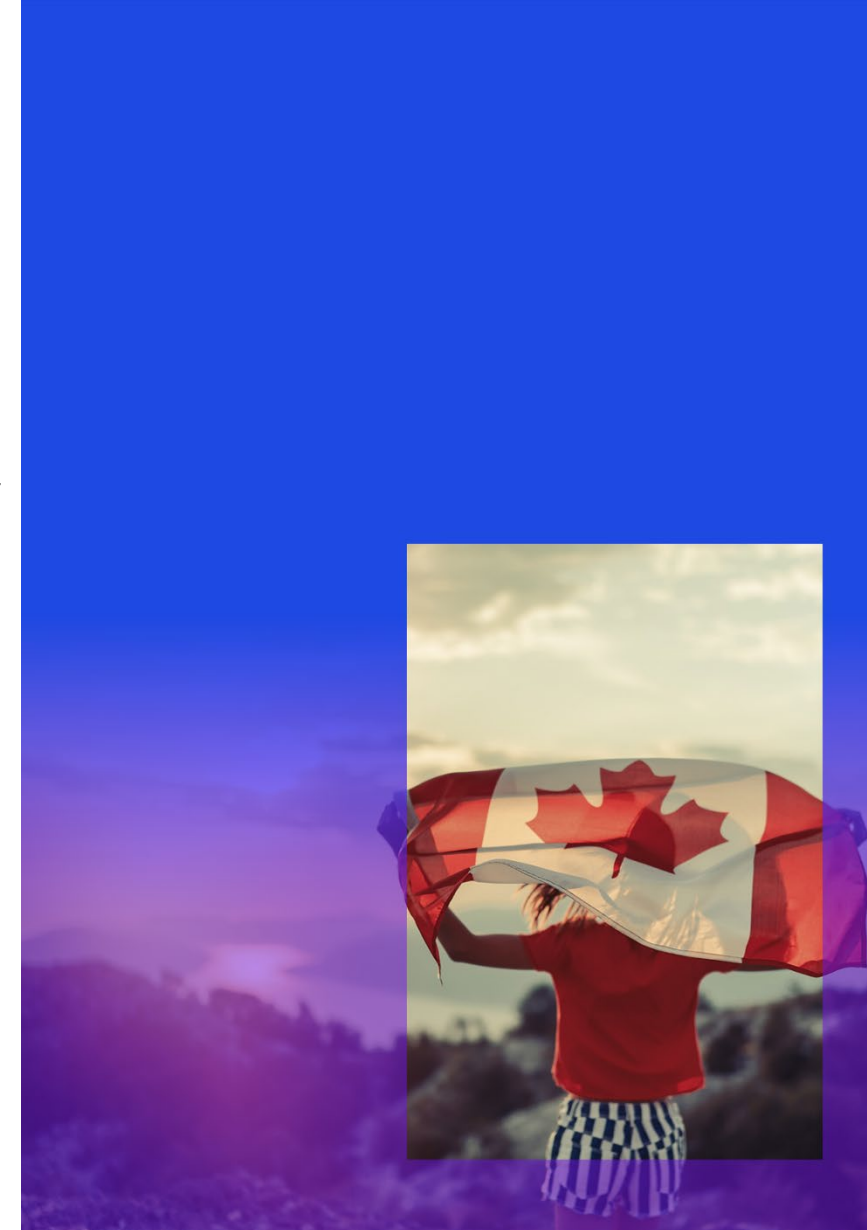


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Digital use information

This Audit Planning Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this page.



Click on any item in the table of contents to navigate to that section.



Audit quality



KPMG Clara



Highlights



Audit plan



Group audit plan



Audit risks



Key milestones and deliverables



Appendices

This report to the Audit Committee is intended solely for the information and use of management, the Audit Committee, and the City Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report to the Audit Committee has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



Audit Quality: How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. Our **Global Quality Framework** outlines how we deliver quality and how every partner and staff member contribute to its delivery.

'**Perform quality engagements**' sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

We define '**audit quality**' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.



Doing the right thing. Always.





Audit Quality: Indicators (AQIs)

The objective of these measures is to provide more in-depth information about factors that influence audit quality within an audit process. Below are the AQIs that we have agreed with management are relevant for the audit. We would like to obtain agreement of the Audit Committee that these are the relevant AQIs.

We will communicate the status of the below AQIs on an annual basis.



Team composition

Experience of the team

- Role – number of years experience in the industry, number of years on this engagement



Technology in the audit

Implementation of technology in the audit

- Increase in use of technology in the audit year over year



Engagement hours

Hours spent by level and phase of the audit

- Number and percentage of hours incurred by EQCR, Partner, Senior Manager and audit staff by significant risk



Timing of prepared by client (PBC) items

Timeliness of PBC items

- Number of timely and overdue items received by the audit team.



Management and Audit Committee responsibilities

Results of internal and external reviews

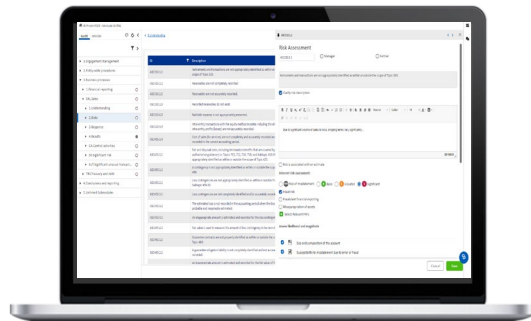
- Number and nature of findings specific to the audit engagement



Our audit platform - KPMG Clara

Building upon our sound audit quality foundations, we are making significant investments to drive consistency and quality across our global audit practices. We've committed to an ongoing investment in innovative technologies and tools for engagement teams, such as KPMG Clara, our smart audit platform.

KPMG Clara workflow



Globally consistent execution

A modern, intuitively written, highly applicable audit methodology that allows us to deliver globally consistent engagements.

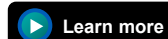


KPMG Clara for clients



Real-time collaboration and transparency

Allows the client team to see the real-time status of the engagement and who from our KPMG team is leading on a deliverable.

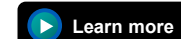


KPMG Clara analytics



Insights-driven efficient operations

Using the latest technologies to analyze data, KPMG Clara allows us to visualise the flow of transactions through the system, identify risks in your financial data and perform more specific audit procedures.





Highlights

Scope of the audit

Our audit of the consolidated financial statements (“financial statements”) of The Corporation of the City of London and its subsidiaries (“the Corporation”) as of and for the year ending December 31, 2022, will be performed in accordance with Canadian generally accepted auditing standards (CASs).



Significant risks

We have identified significant risks of material misstatement for the audit. See significant risks section for details.

Rebuttable significant risks

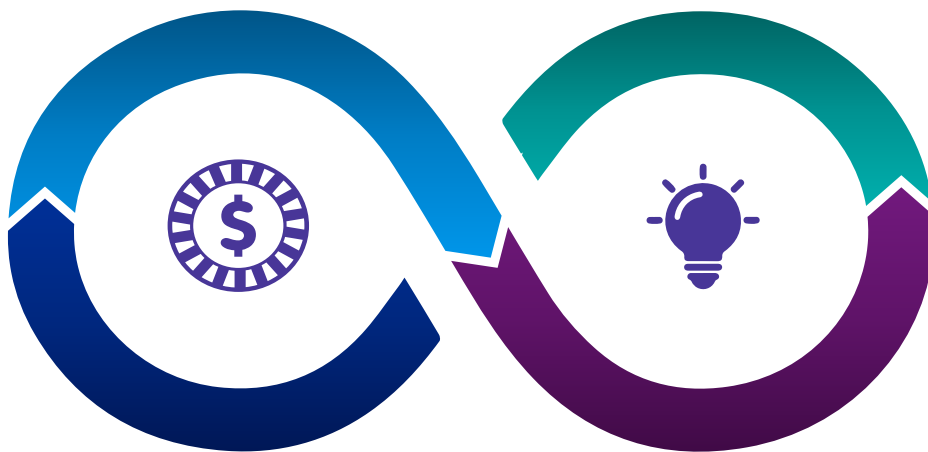
The presumed fraud risk involving improper revenue recognition has been rebutted by us.

Required communications

See Appendix: Engagement letter and Appendix: Other required communications



Materiality



We **initially determine materiality** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of **professional judgement**, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We **reassess materiality** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

Plan and perform the audit

We **initially determine materiality** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Evaluate the effect of misstatements

We also use materiality to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.

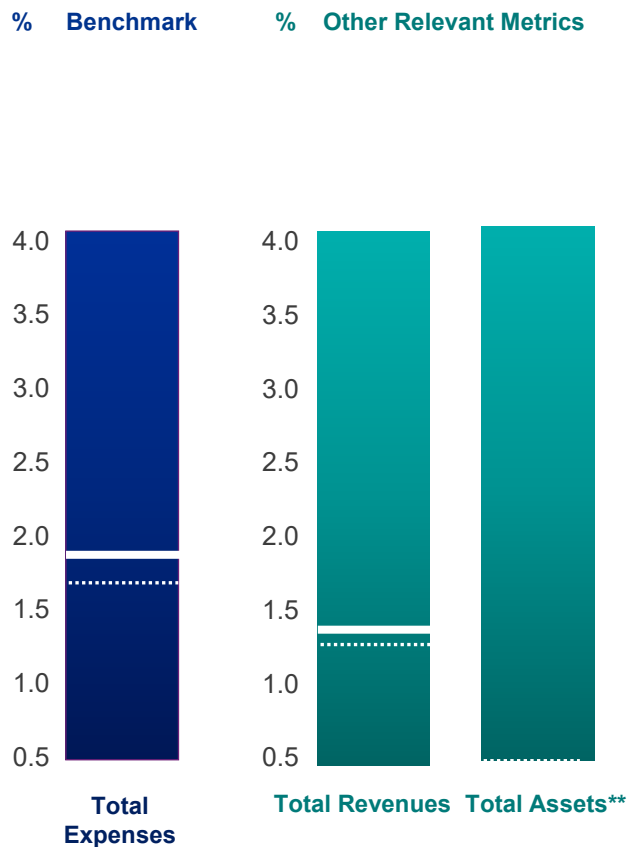


Materiality

Materiality
\$20,000,000
 (2021: \$18,000,000)

..... Prior year
 — Current year

Audit Misstatement Posting Threshold
\$1,000,000
 (2021: \$900,000)



Prior Year Total Consolidated Expenses
\$1,198,095,000
 (2020: \$1,161,379,000)

Prior Year Total Consolidated Revenues
\$1,477,197,000
 (2020: \$1,420,239,000)

Prior Year Total Consolidated Assets
\$6,300,727,000
 (2020: \$4,797,772,000 Consolidated 2020 Accumulated Surplus)

Change in metric from net assets in prior year to total assets in current year as a result of a change in audit methodology.

**Materiality represents 0.32% of total assets, however, this is expected given the magnitude of assets compared to the other relevant metrics.



Involvement of others

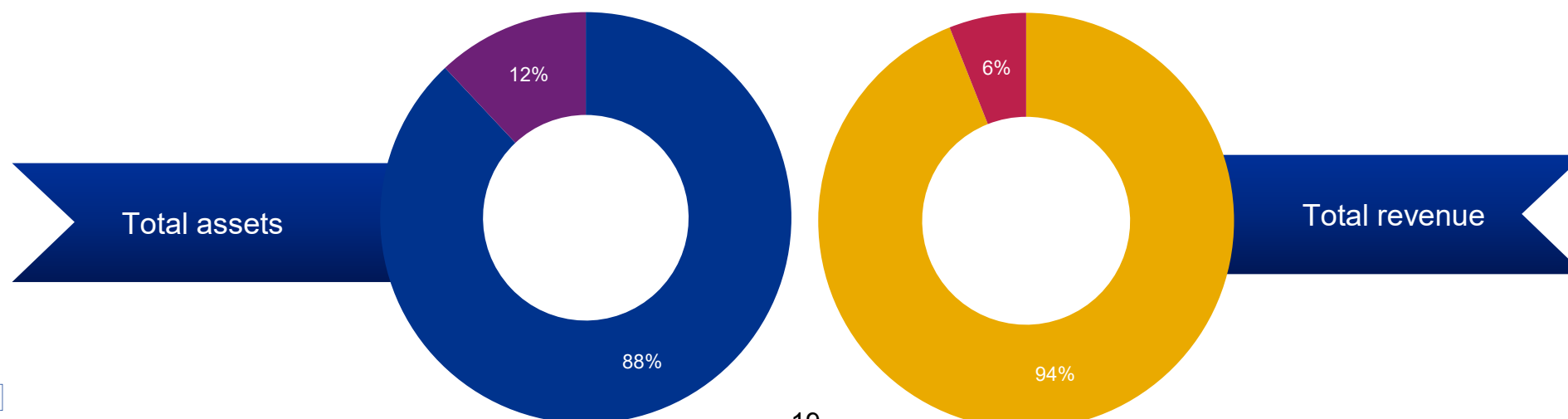
Involved party	Nature and extent of planned involvement	Involvement In
Mercer, engaged by the Corporation	Mercer provides the actuarial valuation for the employee future benefits obligation as well as the WSIB accrual.	Audit of financial statements



Group audit - Scoping

Type of work performed	Total assets	Total revenue
Total full-scope audits	88% 	94% 
Excluded from direct testing	12% 	6% 
Total consolidated	100%	100%

The threshold for individually financially significant component is 15% of total assets or total revenue. The Boards and Commissions that have not met the threshold for significant components but are audited for statutory requirements are not included in this assessment. These Boards and Commissions include Argyle Business Improvement Association Board of Management; Covent Garden Market Corporation; Eldon House Corporation; Elgin Area Primary Water Supply System; Hamilton Road Business Improvement Area Board of Management; Housing Development Corporation, London; Hyde Park Business Improvement Association Board of Management; Lake Huron Area Primary Water Supply System; London & Middlesex Community Housing Inc.; The London Convention Centre Corporation; London Downtown Business Association; London Hydro Inc.; The London Public Library Board; London Transit Commission; Middlesex-London Health Unit; Museum London; and Old East Village Business Improvement Area Board of Management.





Risk assessment summary

Our planning begins with an assessment of risks of material misstatement in your financial statements.

We draw upon our understanding of the Corporation and its environment (e.g. the industry, the wider economic environment in which the organization operates, etc.), our understanding of the Corporation's components of its system of internal control, including our business process understanding.

		Risk of fraud	Risk of error	PY risk rating
●	Improper revenue recognition	✓		Presumed - Rebutted
●	Management override of controls	✓		Presumed - Significant
●	Cash and investments		✓	Base
●	Investment in Government Business Enterprises (GBEs)		✓	Base
●	Tangible capital assets		✓	Base
●	Revenue and accounts receivable		✓	Base
●	Deferred revenue – general and obligatory reserve funds		✓	Base

● SIGNIFICANT RISK ● PRESUMED RISK OF MATERIAL MISSTATEMENT ● OTHER AREA OF FOCUS

*Risk assessment has been completed based on preliminary audit planning and is subject to change during the course of the audit as new information arises. Significant changes, if any, from the audit approach noted here will be communicated in the audit findings report.



Risk assessment summary (continued)

		Risk of fraud	Risk of error	PY risk rating
●	Gross long-term liabilities and debt recoverable from local municipalities		✓	Base
●	Employee benefits and other liabilities		✓	Base
●	Expenses – salaries and benefits		✓	Base
●	Accounts payable, accrued liabilities and expenses		✓	Base
●	Contingencies		✓	Base
●	Consolidation		✓	Base

● SIGNIFICANT RISK ● PRESUMED RISK OF MATERIAL MISSTATEMENT ● OTHER AREA OF FOCUS



Significant risks

RISK OF



FRAUD



Risk of material misstatement due to fraud resulting from fraudulent revenue recognition

Estimate?**Significant risk****New or changed?**

No

There is a presumed fraud risk related to revenue recognition through improper shifting of revenues. There are generally pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition when performance is measured in terms of year-over-year revenue growth or profit.

We have not identified any risk of material misstatement resulting from fraudulent revenue recognition.

No

Our audit approach

We have rebutted the presumption of this fraud risk as it is not applicable to the Corporation where performance is not measured based on earnings and a significant portion of the revenue is derived from levying of taxation dollars and user charges with little judgement over timing of revenue recognition. In addition, a significant portion of revenue can be tied directly to government funding.



Significant risks



Management Override of Controls

RISK OF



FRAUD

Why is it significant?

**Presumption
of the risk of fraud
resulting from
management
override of
controls**

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Audit approach

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

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

Technologies

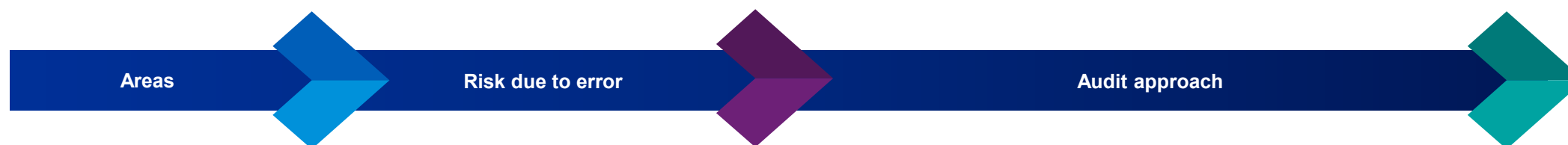
Our **KPMG Clara Journal Entry Analysis Tool** assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.



[Click to learn more](#)



Other areas of focus



Cash and investments

Base

Applicable Components: The Corporation of the City of London, unconsolidated

- Update our understanding of the activities over the initiation, authorization, processing, recording and reporting.
- Assess if there is a loss in value of the portfolio investments and if such a decline is other than temporary. Perform audit procedures to assess whether a write-down is necessary.
- Obtain year-end bank and investment reconciliations and perform substantive testing over significant reconciling items.
- Perform substantive tests of details over additions and disposals of investments.
- Obtain confirmations from third party financial institutions.
- Review of financial statement note disclosures in accordance with Public Sector Accounting Standards (PSAS).

Investments in Government Business Enterprises (GBEs)

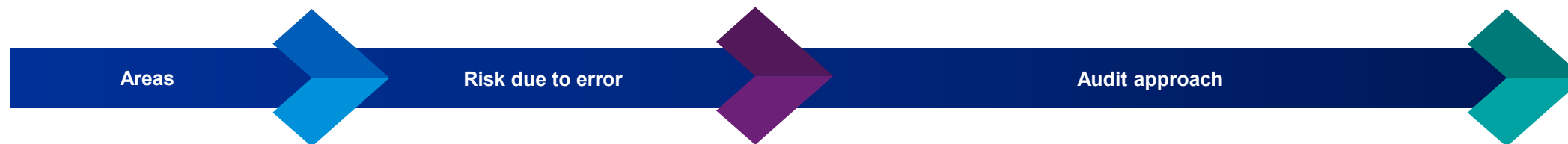
Base

Applicable Components: The Corporation of the City of London, unconsolidated

- Update our understanding of the activities over the initiation, authorization, processing, recording and reporting.
- Obtain a listing and assessment of the GBEs as prepared by management of the Corporation, including any changes from prior year and impairment assessment.
- Obtain support for adjustments made to the investments in GBEs including income from operations, dividends received, distributions to the Corporation and any other adjustments.
- Review financial statement disclosures in accordance with PSAS.



Other areas of focus



Tangible capital assets

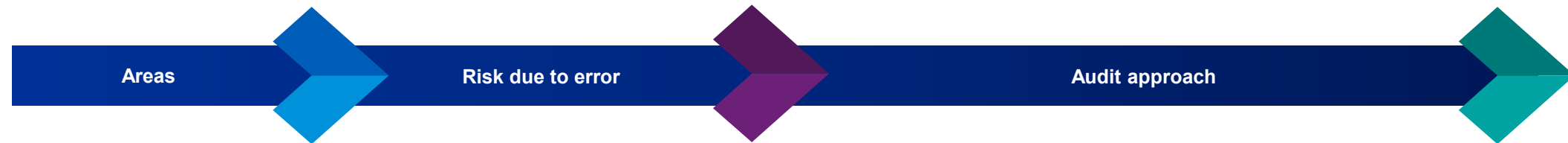
Applicable Components: The Corporation of the City of London, unconsolidated

Base

- Update our understanding of the activities over the initiation, authorization, processing, recording and reporting.
- Perform substantive tests of details over additions (including contributed tangible capital assets) and disposals.
- Obtain the amortization policy, verify the mathematical accuracy of amortization through recalculations, and assess reasonableness of the estimated useful lives.
- Review construction in progress to ensure amounts are properly transferred to correct capital asset classes and amortization expense commences on a timely basis.
- Perform procedures over the fair value of contributed assets.
- Review of financial statement note disclosures in accordance with PSAS.
- Perform required procedures to assess the potential risks with respect to impairment of assets. Based on the nature of the Corporation's operations, it is not expected that this will be a significant risk during the audit.



Other areas of focus



Revenue and accounts receivable (including taxation revenue, user charges and other revenue sources, and government transfers)

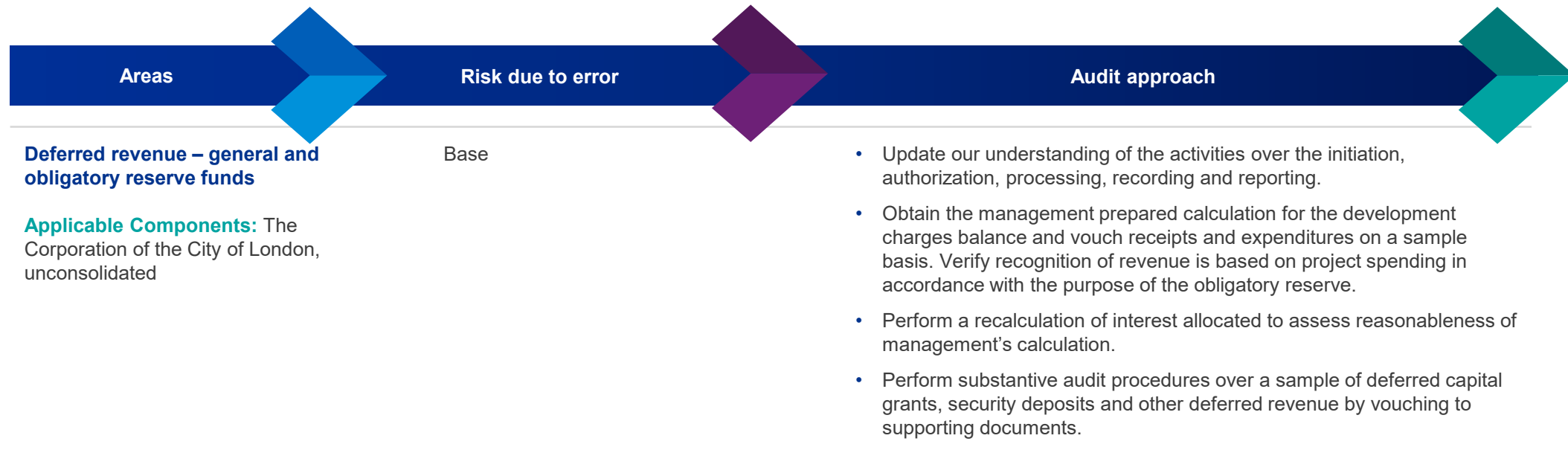
Applicable Components: The Corporation of the City of London, unconsolidated

Base

- Update our understanding of the activities over the initiation, authorization, processing, recording and reporting.
- Perform substantive audit procedures to recalculate taxation revenue using approved tax rates and assessment data.
- Obtain a listing of user charges and other revenue balances and perform tests of details using a combination of substantive analytical and sampling approaches.
- Obtain a listing of government transfer revenue reported by the Corporation and perform tests of details using representative sampling methods. Obtain supporting documentation for the eligibility criteria for the sample selected to determine if the government transfers reported in the financial statements meet the criteria outlined in the PSAS.
- Obtain a listing of accounts receivable balances and select significant balances to vouch to supporting documentation and assess analytical trends.
- Review financial statement disclosures in line with PSAS.

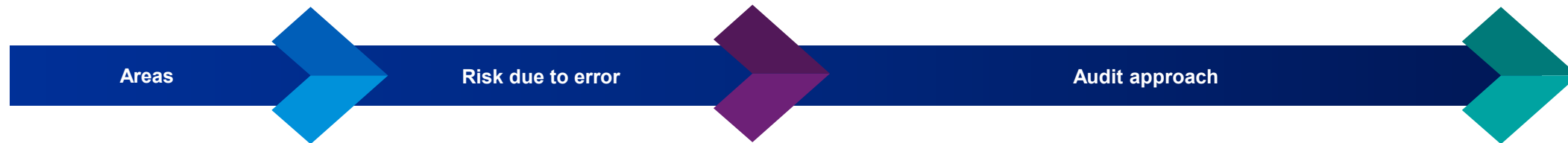


Other areas of focus





Other areas of focus



Gross long-term liabilities and debt recoverable from local municipalities

Applicable Components: The Corporation of the City of London, unconsolidated

Base

- Update our understanding of the activities over the initiation, authorization, processing, recording and reporting.
- Obtain and review any new or amended agreements for long-term debt issued by the Corporation, including review of by-laws issued by City Council.
- Select a sample of long-term liability additions and principal repayments and vouch supporting documentation
- Review disclosures in accordance with PSAS.

Employee benefits and other liabilities

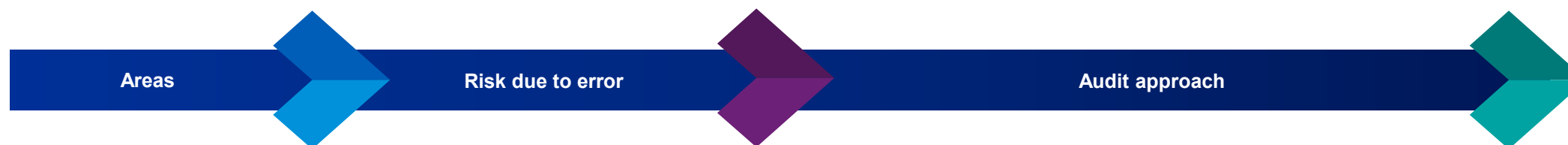
Applicable Components: The Corporation of the City of London, unconsolidated

Base

- Update our understanding of the activities over the quality of information used, the assumptions made, the qualifications, competence and objectivity of the actuary engaged by the Corporation (preparer of the estimate), and the historical accuracy of the estimates.
- Assess method, data, and assumptions used by the actuary and management in the calculation of the employee benefits and other liabilities for reasonableness.
- Perform audit procedures in accordance with the relevant auditing standards and related disclosure requirements related to the estimates involved.
- Perform inquiries with management to determine if this is the year of full valuation whereby new participant/member data is provided to the actuaries. If applicable, we will communicate with actuaries and test employment data provided to the actuaries.
- Review financial statement disclosures in accordance with PSAS.



Other areas of focus



Areas

Risk due to error

Audit approach

Expenses – salaries and benefits

Base

Applicable Components: The Corporation of the City of London, unconsolidated

- Update our understanding of the activities over the initiation, authorization, processing, recording and reporting.
- Perform testing over selected manual controls related to the payroll process.
- Perform substantive analytical procedures over salaries expense by department using employee headcount, pay raises per collective agreements, etc.
- Perform substantive analytical procedures over benefits expense as a percentage of total salaries.
- Substantive verification and recalculation of payroll-related accruals.
- Obtain new or amended collective bargaining agreements. Assess if management has evaluated these agreements for implications of retroactive application. Such retroactive application can result in additional financial obligations for the Corporation that are required to be reported in the financial statements.

Accounts payable, accrued liabilities and expenses

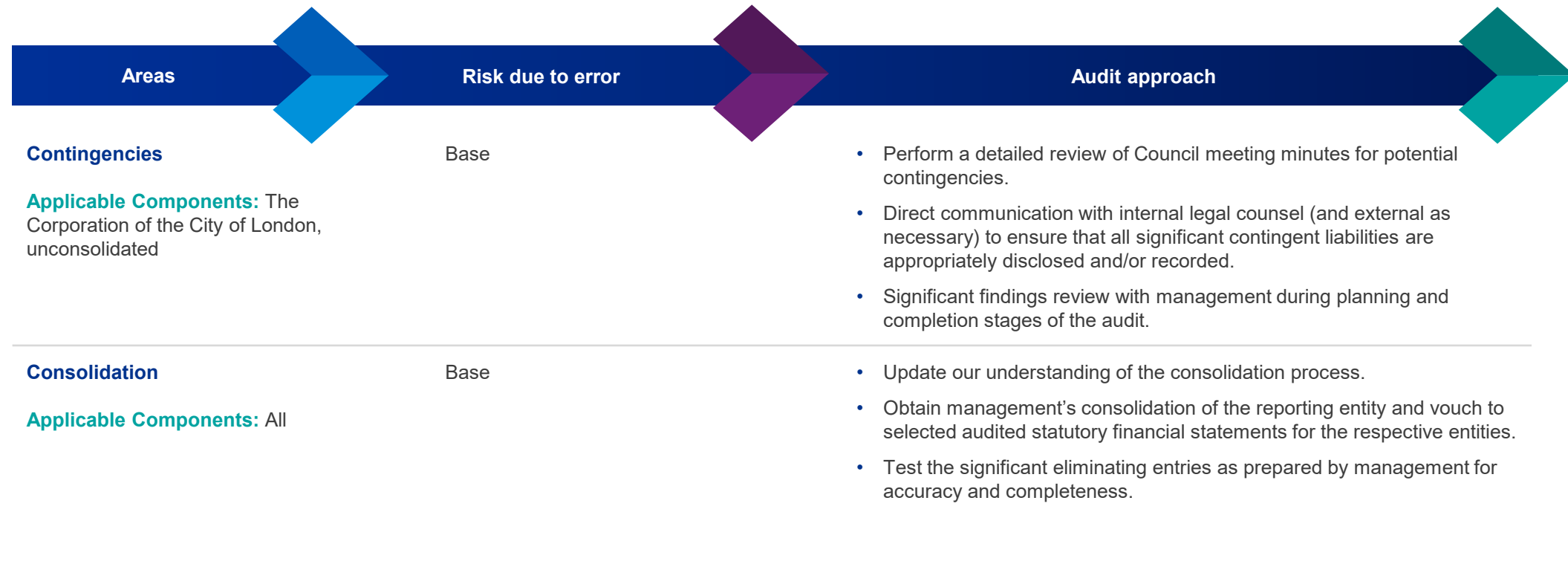
Base

Applicable Components: The Corporation of the City of London, unconsolidated

- Update our understanding of the activities over the initiation, authorization, processing, recording and reporting.
- Perform search for unrecorded liabilities.
- Examine significant accrued liabilities for existence, accuracy and completeness.
- Perform substantive tests of details on selected non-payroll expenditures.

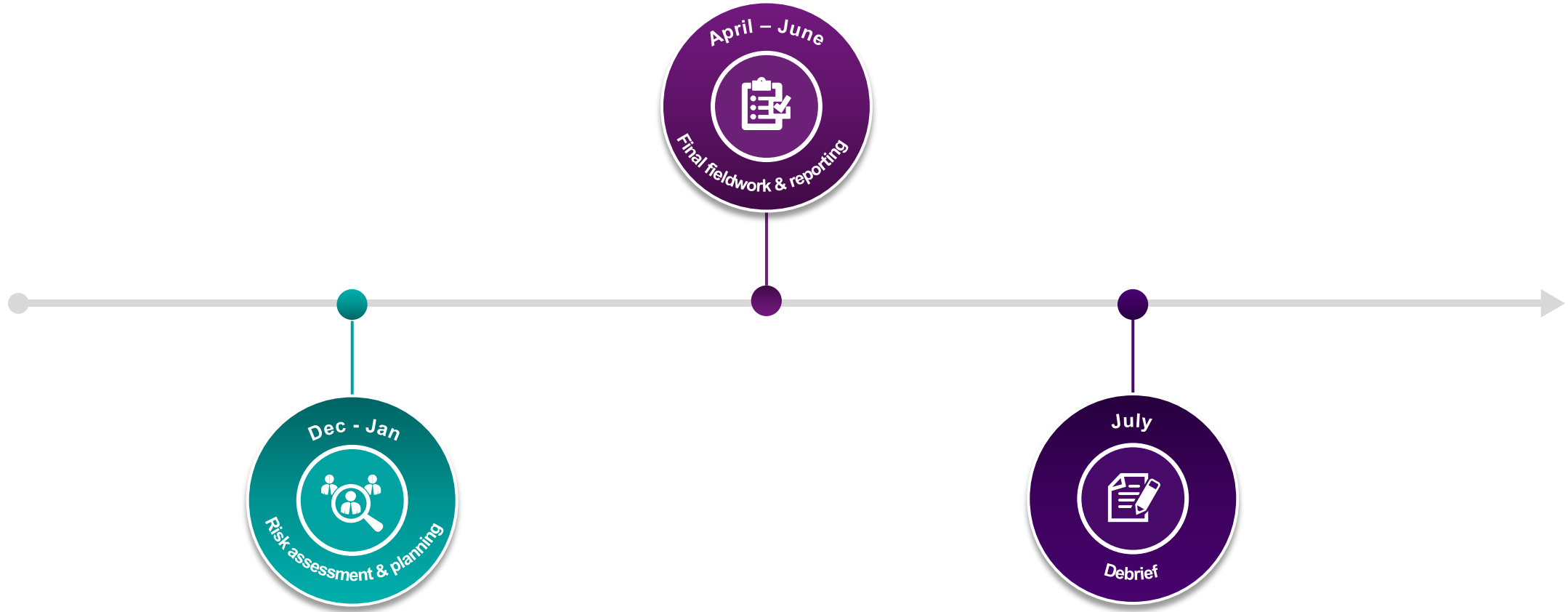


Other areas of focus





Key milestones and deliverables





Appendices



Engagement letter



Changes in accounting standards



Audit and assurance insights



Other required communications



Financial performance indicators



Environmental, social and governance



Newly effective auditing standards



Insights to enhance your business



Cyber security





Appendix: Engagement letter

Annual engagement letter will be provided to management.



Appendix: Other required communications



CPAB communication protocol

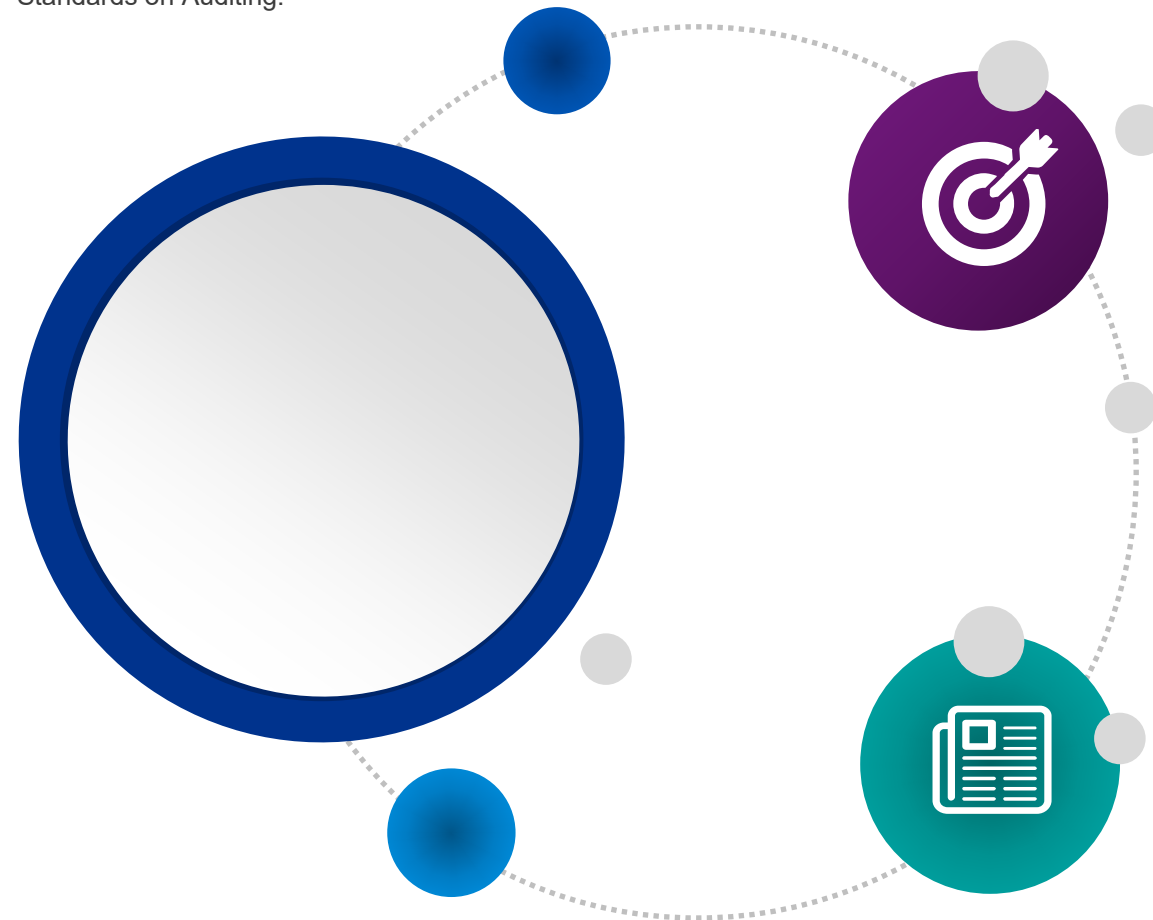
The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- [CPAB Audit Quality Insights Report: 2021 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2022 Interim Inspections Results](#)
- The 2022 Annual Inspection Results will be available in March 2023



Appendix: Newly effective auditing standards

CAS 315 (Revised) Identifying and Assessing the Risks of Material Misstatement has been revised, reorganized and modernized in response to challenges and issues with the previous standard. It aims to promote consistency in application, improve scalability, reduce complexity, support a more robust risk assessment and incorporate enhanced guidance material to respond to the evolving environment, including in relation to information technology. Conforming and consequential amendments have been made to other International Standards on Auditing.



Affects both preparers of financial statements and auditors

Applies to audits of financial statements for periods beginning on or after 15 December 2021

See here for more information from CPA Canada



We design and perform risk assessment procedures to obtain an understanding of the:

- entity and its environment;
- applicable financial reporting framework; and
- entity's system of internal control.

The audit evidence obtained from this understanding provides a basis for:

- identifying and assessing the risks of material misstatement, whether due to fraud or error; and
- the design of audit procedures that are responsive to the assessed risks of material misstatement.



Appendix: Newly effective auditing standards

Key change

Overall, a more robust risk identification and assessment process, including:

- New requirement to take into account how, and the degree to which, 'inherent risk factors' affect the susceptibility of relevant assertions to misstatement
- New concept of significant classes of transactions, account balances and disclosures and relevant assertions to help us to identify and assess the risks of material misstatement
- New requirement to separately assess inherent risk and control risk for each risk of material misstatement
- Revised definition of significant risk for those risks which are close to the upper end of the spectrum of inherent risk

Impact on the audit team

When assessing inherent risk for identified risks of material misstatement, we consider the degree to which inherent risk factors (such as complexity, subjectivity, uncertainty, change, susceptibility to management bias) affect the susceptibility of assertions to misstatement.

We use the concept of the spectrum of inherent risk to assist us in making a judgement, based on the likelihood and magnitude of a possible misstatement, on a range from higher to lower, when assessing risks of material misstatement

The changes may affect our assessments of the risks of material misstatement and the design of our planned audit procedures to respond to identified risks of material misstatement.

If we do not plan to test the operating effectiveness of controls, the risk of material misstatement is the same as the assessment of inherent risk.

Impact on management

If the effect of this consideration is that our assessment of the risks of material misstatement is higher, then our audit approach may increase the number of controls tested and/or the extent of that testing, and/or our substantive procedures will be designed to be responsive to the higher risk.

We may perform different audit procedures and request different information compared to previous audits, as part of a more focused response to the effects identified inherent risk factors have on the assessed risks of material misstatement.



Appendix: Newly effective auditing standards

Key change	Impact on the audit team	Impact on management
<p>Overall, a more robust risk identification and assessment process, including evaluating whether the audit evidence obtained from risk assessment procedures provides an appropriate basis to identify and assess the risks of material misstatement</p>	<p>When making this evaluation, we consider all audit evidence obtained, whether corroborative or contradictory to management assertions. If we conclude the audit evidence obtained does not provide an appropriate basis, then we perform additional risk assessment procedures until audit evidence has been obtained to provide such a basis.</p>	<p>In certain circumstances, we may perform additional risk assessment procedures, which may include further inquiries of management, analytical procedures, inspection and/or observation.</p>
<p>Overall, a more robust risk identification and assessment process, including performing a 'stand back' at the end of the risk assessment process</p>	<p>We evaluate whether our determination that certain material classes of transactions, account balances or disclosures have no identified risks of material misstatement remains appropriate.</p>	<p>In certain circumstances, this evaluation may result in the identification of additional risks of material misstatement, which will require us to perform additional audit work to respond to these risks.</p>



Appendix: Newly effective auditing standards

Key change

Modernized to recognize the evolving environment, including in relation to IT

Enhanced requirements relating to exercising professional skepticism

Impact on the audit team

New requirement to understand the extent to which the business model integrates the use of IT.

When obtaining an understanding of the IT environment, including IT applications and supporting IT infrastructure, it has been clarified that we also understand the IT processes and personnel involved in those processes relevant to the audit.

Based on the identified controls we plan to evaluate, we are required to identify the:

- IT applications and other aspects of the IT environment relevant to those controls
- related risks arising from the use of IT and the entity's general IT controls that address them.

Examples of risks that may arise from the use of IT include unauthorized access or program changes, inappropriate data changes, risks from the use of external or internal service providers for certain aspects of the entity's IT environment or cybersecurity risks.

New requirement to design and perform risk assessment procedures in a manner that is not biased toward obtaining audit evidence that may be corroborative or toward excluding audit evidence that may be contradictory. Strengthened documentation requirements to demonstrate the exercise of professional scepticism.

Impact on management

We will expand our risk assessment procedures and are likely to engage more extensively with your IT and other relevant personnel when obtaining an understanding of the entity's use of IT, the IT environment and potential risks arising from IT. This might require increased involvement of IT audit professionals.

Changes in the entity's use of IT and/or the IT environment may require increased audit effort to understand those changes and affect our assessment of the risks of material misstatement and audit response.

Risks arising from the use of IT and our evaluation of general IT controls may affect our control risk assessments, and decisions about whether we test the operating effectiveness of controls for the purpose of placing reliance on them or obtain more audit evidence from substantive procedures. They may also affect our strategy for testing information that is produced by, or involves, the entity's IT applications.

We may make changes to the nature, timing and extent of our risk assessment procedures, such as our inquires of management, the activities we observe or the accounting records we inspect.



Appendix: Newly effective auditing standards

Key change

Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of a control

Impact on the audit team

We will evaluate the design and implementation of controls that address risks of material misstatement at the assertion level as follows:

- Controls that address a significant risk.
- Controls over journal entries, including non-standard journal entries.
- Other controls we consider appropriate to evaluate to enable us to identify and assess risks of material misstatement and design our audit procedures

Impact on management

We may identify new or different controls that we plan to evaluate the design and implementation of, and possibly test the operating effectiveness to determine if we can place reliance on them.

We may also identify risks arising from IT relating to the controls we plan to evaluate, which may result in the identification of general IT controls that we also need to evaluate and possibly test whether they are operating effectively. This may require increased involvement of IT audit specialists.



Appendix: Changes in accounting standards

Standard	Summary and implications
Asset retirement obligations	<ul style="list-style-type: none"> • The new standard PS 3280 <i>Asset retirement obligations</i> is effective for fiscal years beginning on or after April 1, 2022. • The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. • The asset retirement obligations (“ARO”) standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life if the asset is in productive use. • As a result of the new standard, the public sector entity will: <ul style="list-style-type: none"> • Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; • Begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify ARO and obtain information to estimate the value of potential ARO to avoid unexpected issues. • We have varying levels of support to assist the City, led by Bailey Church who leads our ARO standard implementation services.



Appendix: Changes in accounting standards (continued)

Standard	Summary and implications
Financial instruments and foreign currency translation	<ul style="list-style-type: none"> The new standards PS 3450 <i>Financial instruments</i>, PS 2601 <i>Foreign currency translation</i>, PS 1201 <i>Financial statement presentation</i> and PS 3041 <i>Portfolio investments</i> are effective for fiscal years beginning on or after April 1, 2022. Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the public sector entity's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. Hedge accounting is not permitted. A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations. PS 3450 <i>Financial instruments</i> was amended subsequent to its initial release to include various federal government narrow-scope amendments.
Revenue	<ul style="list-style-type: none"> The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after April 1, 2023. The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.



Appendix: Changes in accounting standards (continued)

Standard	Summary and implications
Purchased Intangibles	<ul style="list-style-type: none"> • The new Public Sector Guideline 8 <i>Purchased intangibles</i> is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted. • The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles. • Narrow scope amendments were made to PS 1000 <i>Financial statement concepts</i> to remove the prohibition to recognize purchased intangibles and to PS 1201 <i>Financial statement presentation</i> to remove the requirement to disclose purchased intangibles not recognized. • The guideline can be applied retroactively or prospectively.
Public Private Partnerships	<ul style="list-style-type: none"> • The new standard PS 3160 <i>Public private partnerships</i> is effective for fiscal years beginning on or after April 1, 2023. • The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. • The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the public private partnership ends. • The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. • The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. • The standard can be applied retroactively or prospectively.



Appendix: Changes in accounting standards (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted. The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.
Financial Statement Presentation	<ul style="list-style-type: none"> The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted. The proposed section includes the following: <ul style="list-style-type: none"> Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. Separating liabilities into financial liabilities and non-financial liabilities. Restructuring the statement of financial position to present total assets followed by total liabilities. Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”. A new provision whereby an entity can use an amended budget in certain circumstances. Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position. The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.



Appendix: Changes in accounting standards (continued)

Standard	Summary and implications
Employee benefits	<ul style="list-style-type: none"> • The Public Sector Accounting Board has initiated a review of sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. • The intention is to use principles from International Public Sector Accounting Standard 39 <i>Employee benefits</i> as a starting point to develop the Canadian standard. • Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 <i>Employee benefits</i> will replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively. • This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. • The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.



Appendix: Indicators of financial performance



Indicators of Financial Performance



Financial Indicators

A. Reporting on financial condition

In Canada, the development and maintenance of principles for financial reporting fall under the responsibility of the Accounting Standards Oversight Council ('AcSOC'), a volunteer body established by the Canadian Institute of Chartered Accountants in 2000. In this role, AcSOC provides input to and monitors and evaluates the performance of the two boards that are tasked with establishing accounting standards for the private and public sector:

- The Public Sector Accounting Board ('PSAB') establishes accounting standards for the public sector, which includes municipal governments; and
- The Accounting Standards Board ('AcSB'), which is responsible for the establishment of accounting standards for Canadian entities outside of the public sector.

In May 2009, PSAB released a Statement of Recommended Practice that provided guidance on how public sector bodies should report on indicators of financial condition. As defined in the statement, financial condition is '*a government's financial health as assessed by its ability to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others*'. In reporting on financial condition, PSAB also recommended that three factors, at a minimum, need to be considered:

- **Sustainability.** Sustainability is the degree to which the City can deliver services and meet its financial commitments without increasing its debt or tax burden relative to the economy in which it operates. To the extent that the level of debt or tax burden grows at a rate that exceeds the growth in the City's assessment base, there is an increased risk that the City's current spending levels (and by association, its services, service levels and ability to meet creditor obligations) cannot be maintained.
- **Flexibility.** Flexibility reflects the City's ability to increase its available sources of funding (debt, taxes or user fees) to meet increasing costs. Municipalities with relatively high flexibility have the potential to absorb cost increases without adversely impacting affordability for local residents and other ratepayers. On the other hand, municipalities with low levels of flexibility have limited options with respect to generating new revenues, requiring an increased focus on expenditure reduction strategies.
- **Vulnerability.** Vulnerability represents the extent to which the City is dependent on sources of revenues, predominantly grants from senior levels of government, over which it has no discretion or control. The determination of vulnerability considers (i) unconditional operating grants such as OMPF; (ii) conditional operating grants such as Provincial Gas Tax for transit operations; and (iii) capital grant programs. Municipalities with relatively high indicators of vulnerability are at risk of expenditure reductions or taxation and user fee increases in the event that senior levels of funding are reduced. This is particularly relevant for municipalities that are vulnerable with respect to operating grants from senior levels of government, as the Municipal Act does not allow municipalities to issue long-term debt for operating purposes (Section 408(2.1)).

Financial Indicators

B. Selected financial indicators

As a means of reporting the City's financial condition, we have considered the following financial indicators (*denotes PSAB recommended financial indicator).

Financial Condition Category	Financial Indicators
Sustainability	<ol style="list-style-type: none"> 1. Financial assets to financial liabilities* 2. Total reserves and reserve funds per household 3. Total operating expenses as a percentage of taxable assessment* 4. Capital additions as a percentage of amortization expense
Flexibility	<ol style="list-style-type: none"> 5. Residential taxes per household 6. Total long-term debt per household 7. Residential taxation as a percentage of median household income 8. Total taxation as a percentage of total assessment* 9. Debt servicing costs (interest and principal) as a percentage of total revenues* 10. Net book value of tangible capital assets as a percentage of historical cost of tangible capital assets*
Vulnerability	<ol style="list-style-type: none"> 11. Operating grants as a percentage of total revenues* 12. Capital grants as a percentage of total capital expenditures*

A detailed description of these financial indicators, as well as comparisons to selected municipalities, is included on the following pages.

Our analysis is based on Financial Information Return (FIR) data. Given the timing of financial reporting for municipalities, the analysis is based on 2021 FIR data with comparative information provided based upon the 2017 – 2020 FIR data.

Financial Indicators

C. Selecting Comparator Municipalities

There are a number of factors that will influence the financial performance and position of municipalities, including but not limited to geographic size, number of households, delegation of responsibilities between upper and lower tier levels of government and services and service levels. Accordingly, there is no 'perfect' comparative municipality for the City. However, in order to provide some perspective as to the City's financial indicators, we have selected comparator municipalities that have comparable:

- Governance structures (i.e. single-tier municipality);
- Household levels; and
- Geographic size.

Based on these considerations, the selected comparator municipalities are as follows:

Municipality	Population (2021)	Households (2021)	Area (square km)
London	422,324	183,358	420.6
Ottawa	1,046,443	447,210	2,790
Hamilton	584,000	242,185	1,118
Windsor	229,660	100,084	146.3
Kingston	132,485	57,836	451.2
Guelph	143,740	58,254	87.4

Financial Indicators

FINANCIAL ASSETS TO FINANCIAL LIABILITIES

This financial indicator provides an assessment of the City's solvency by comparing financial assets (including cash, investments and accounts receivable) to financial liabilities (accounts payable, deferred revenue and long-term debt). Low levels of financial assets to financial liabilities are indicative of limited financial resources available to meet cost increases or revenue losses.

TYPE OF INDICATOR

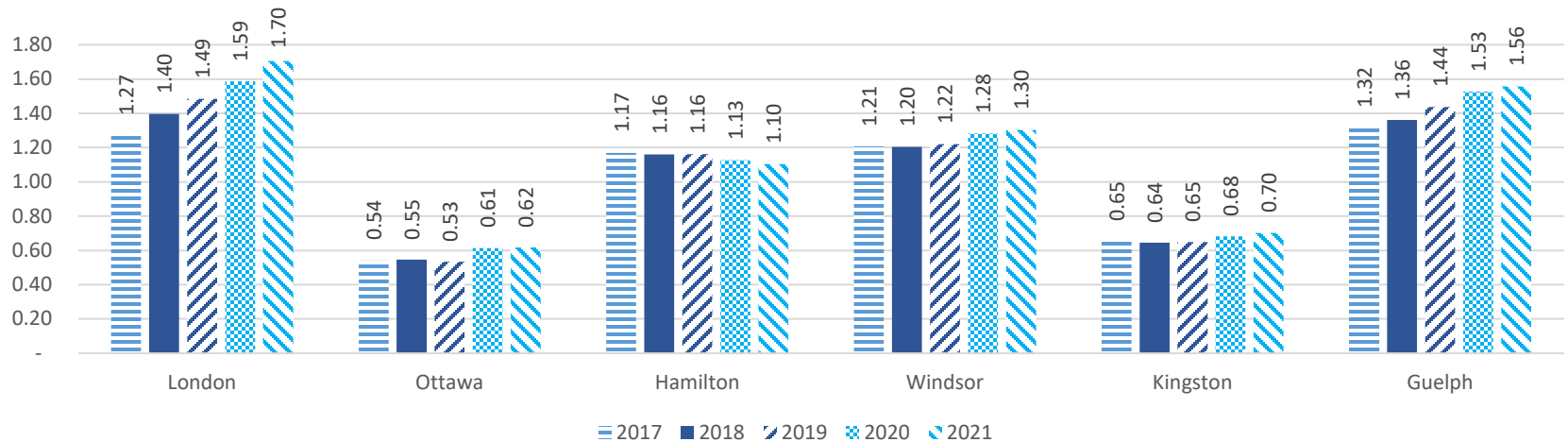
Sustainability ✓
 Flexibility
 Vulnerability

FORMULA

FIR Schedule 70, Line 9930,
 Column 1 divided by FIR Schedule
 70, Line 9940, Column 1

POTENTIAL LIMITATIONS

- Financial assets may include investments in government business enterprises, which may not necessarily be converted to cash or yield cash dividends
- Financial liabilities may include liabilities for employee future benefits and future landfill closure and post-closure costs, which may (i) not be realized for a number of years; and/or (ii) may not be realized at once but rather over a number of years



Financial Indicators

TOTAL RESERVES AND RESERVE FUNDS PER HOUSEHOLD

This financial indicator provides an assessment of the City's ability to absorb incremental expenses or revenue losses through the use of reserves and reserve funds as opposed to taxes, user fees or debt. Low reserve levels are indicative of limited capacity to deal with cost increases or revenue losses, requiring the City to revert to taxation or user fee increases or the issuance of debt.

TYPE OF INDICATOR

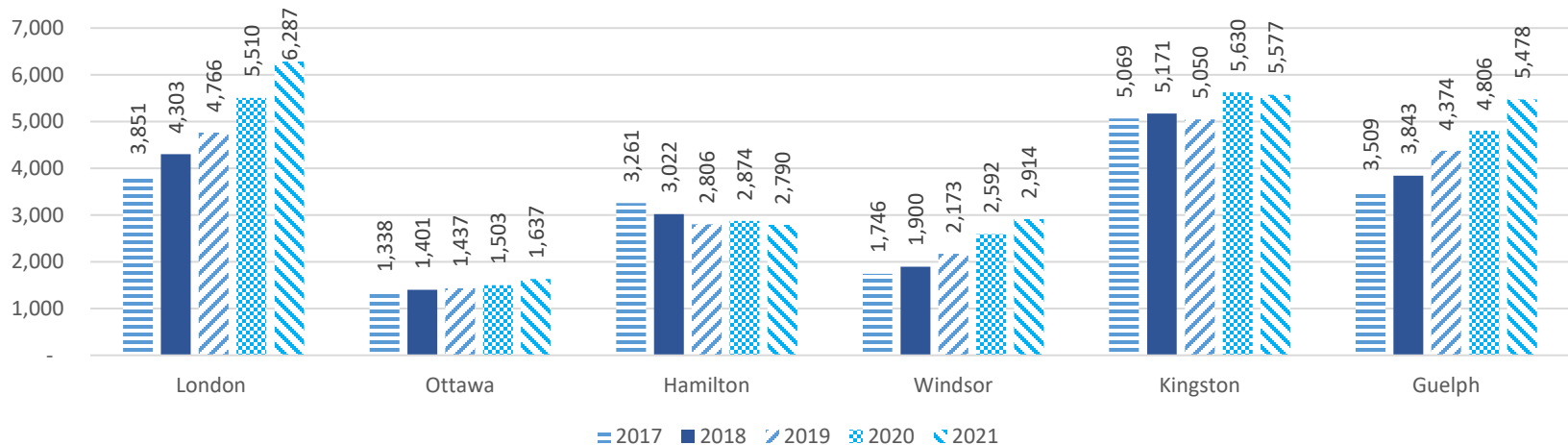
Sustainability ✓
 Flexibility
 Vulnerability

FORMULA

FIR Schedule 70, Line 6420,
 Column 1 divided by FIR Schedule
 2, Line 40, Column 1

POTENTIAL LIMITATIONS

- Reserves and reserve funds are often committed to specific projects or purposes and as such, may not necessarily be available to fund incremental costs or revenue losses
- As reserves are not funded, the City may not actually have access to financial assets to finance additional expenses or revenue losses



Financial Indicators

TOTAL OPERATING EXPENSES AS A PERCENTAGE OF TAXABLE ASSESSMENT

This financial indicator provides an assessment of the City's solvency by determining the extent to which increases in operating expenses correspond with increases in taxable assessment. If increases correspond, the City can fund any increases in operating costs without raising taxation rates.

TYPE OF INDICATOR

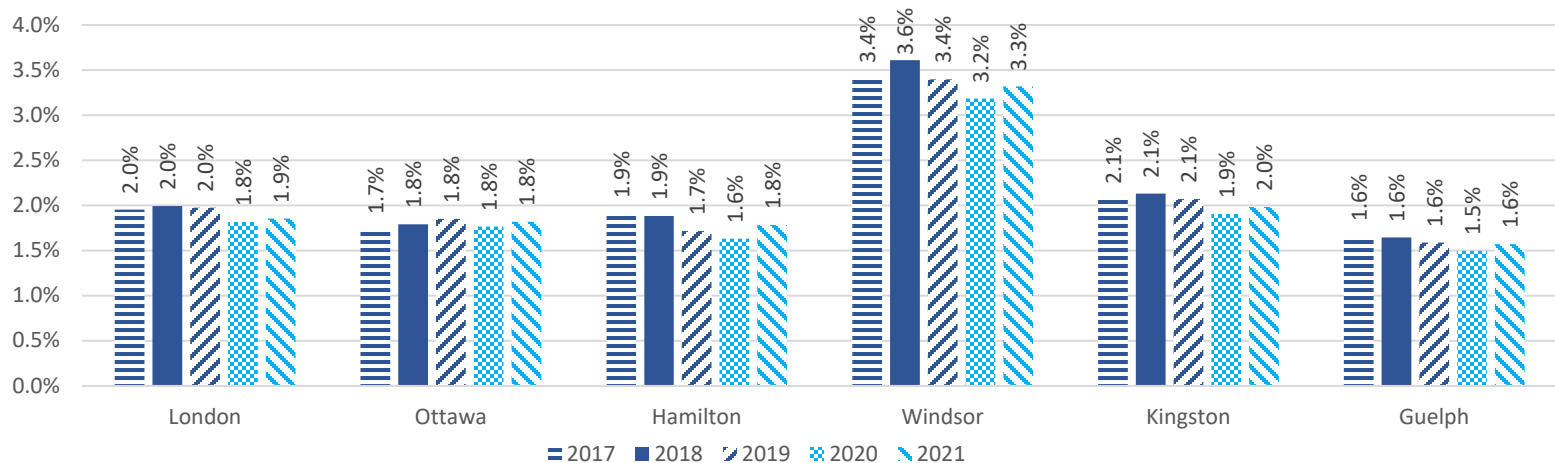
Sustainability ✓
 Flexibility
 Vulnerability

FORMULA

FIR Schedule 40, Line 9910,
 Column 7 less FIR Schedule 40,
 Line 9910, Column 16 divided by
 FIR Schedule 26, Column 17, Line
 9199

POTENTIAL LIMITATIONS

- As operating expenses are funded by a variety of sources, the City's sustainability may be impacted by reductions in other funding sources that would not be identified by this indicator.



Financial Indicators

CAPITAL ADDITIONS AS A PERCENTAGE OF AMORTIZATION EXPENSE

This financial indicator provides an assessment of the City's solvency by assessing the extent to which it is sustaining its tangible capital assets. In the absence of meaningful reinvestment in tangible capital assets, the City's ability to continue to deliver services at the current levels may be compromised.

TYPE OF INDICATOR

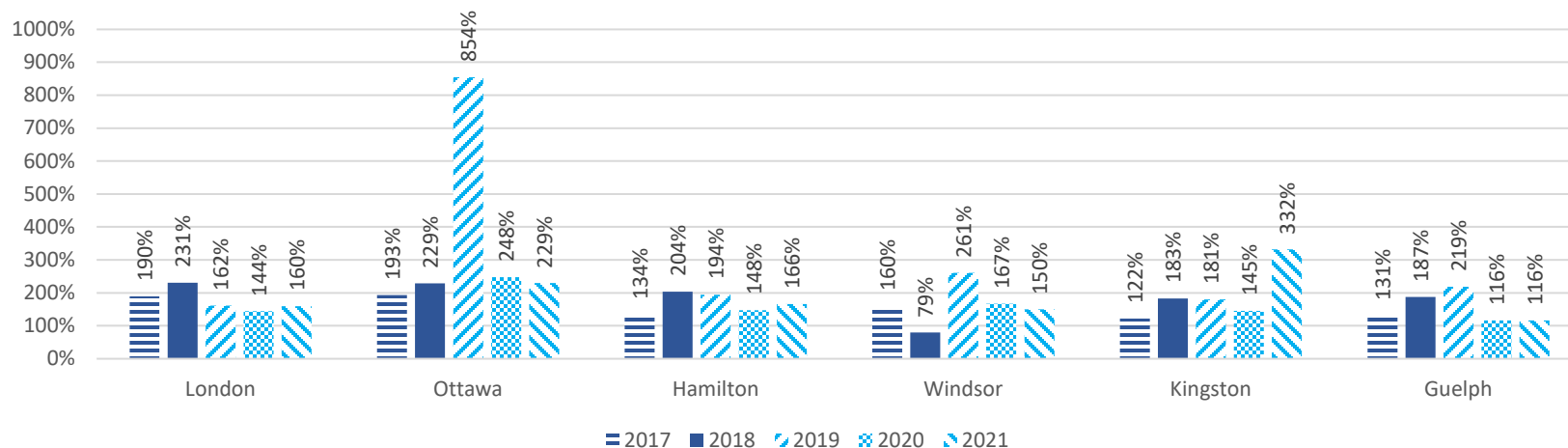
Sustainability ✓
 Flexibility
 Vulnerability

FORMULA

FIR Schedule 51, Line 9910,
 Column 3 divided by FIR Schedule
 40, Line 9910, Column 16

POTENTIAL LIMITATIONS

- This indicator considers amortization expense, which is based on historical as opposed to replacement cost. As a result, the City's capital reinvestment requirement will be higher than its reported amortization expense due to the effects of inflation.
- This indicator is calculated on a corporate-level basis and as such, will not identify potential concerns at the departmental level.



Financial Indicators

RESIDENTIAL TAXES PER HOUSEHOLD

This financial indicator provides an assessment of the City's ability to increase taxes as a means of funding incremental operating and capital expenditures.

TYPE OF INDICATOR

Sustainability

Flexibility ✓

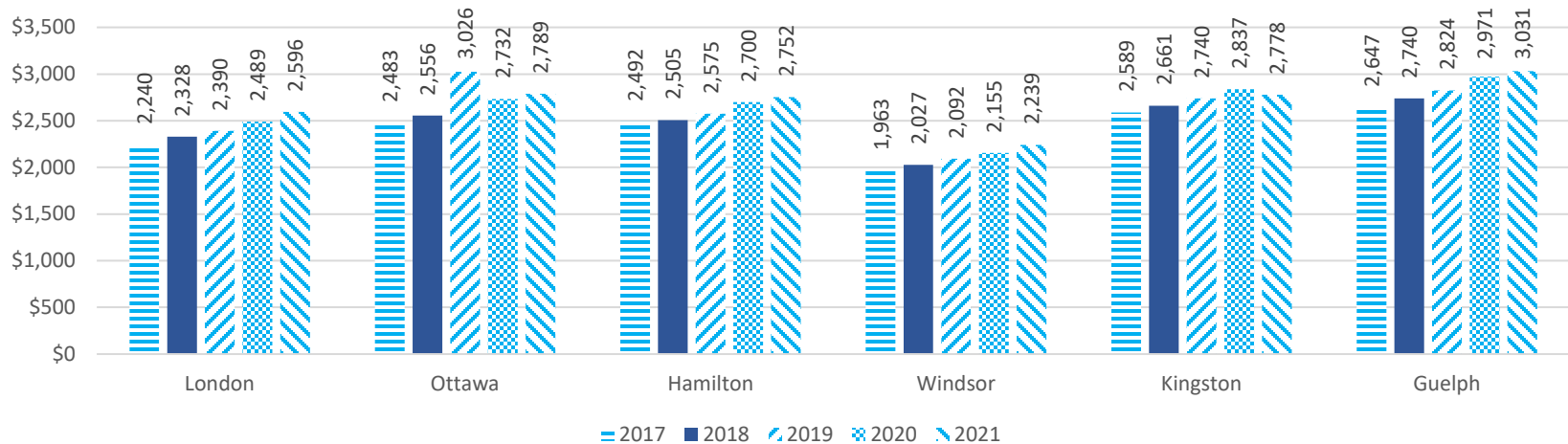
Vulnerability

FORMULA

FIR Schedule 26, Line 0010 and Line 1010, Column 4 divided by FIR Schedule 2, Line 0040, Column 1

POTENTIAL LIMITATIONS

- This indicator does not incorporate income levels for residents and as such, does not fully address affordability concerns.
- This indicator is calculated based on lower-tier taxation only and does not consider upper tier or education taxes.
- This indicator does not consider the level of service provided by each municipality.



Financial Indicators

TOTAL LONG-TERM DEBT PER HOUSEHOLD

This financial indicator provides an assessment of the City's ability to issue more debt by considering the existing debt loan on a per household basis. High debt levels per household may preclude the issuance of additional debt.

TYPE OF INDICATOR

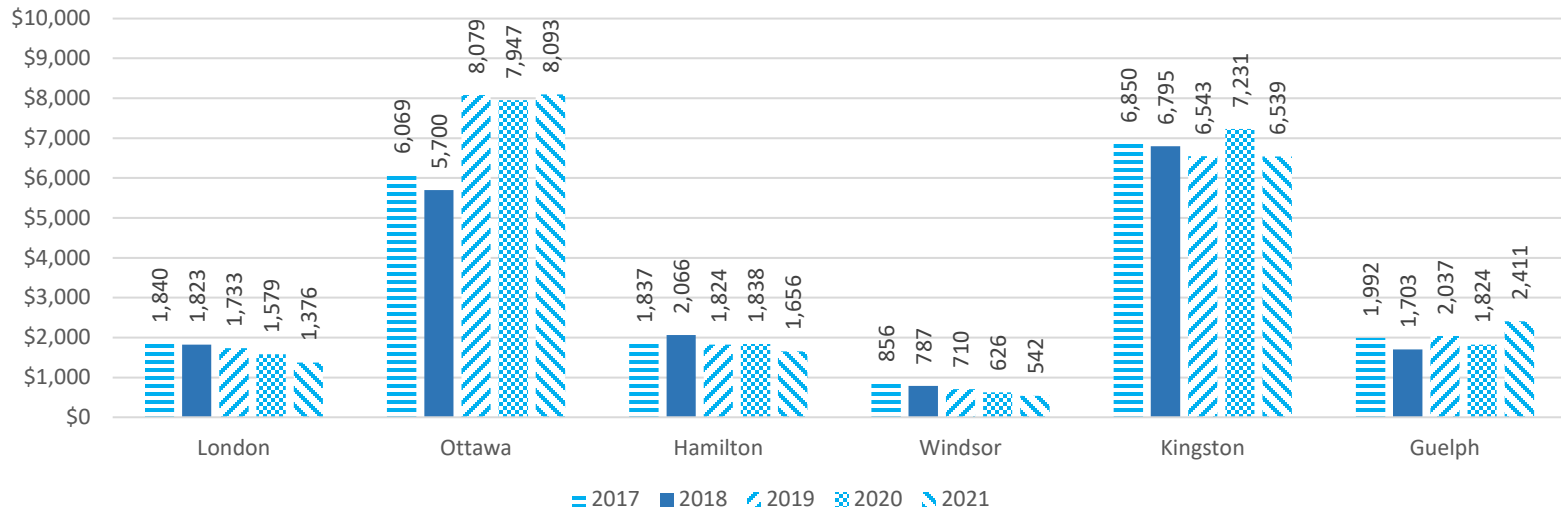
Sustainability
Flexibility ✓
Vulnerability

FORMULA

FIR Schedule 70, Line 2699,
Column 1 divided by FIR Schedule
2, Line 0040, Column 1

POTENTIAL LIMITATIONS

- This indicator does not consider the Provincial limitations on debt servicing cost, which cannot exceed 25% of own-source revenues unless approved by the Ontario Municipal Board



Financial Indicators

RESIDENTIAL TAXATION AS A PERCENTAGE OF HOUSEHOLD INCOME

This financial indicator provides an indication of potential affordability concerns by calculating the percentage of median after tax household income used to pay municipal property taxes.

TYPE OF INDICATOR

Sustainability

Flexibility ✓

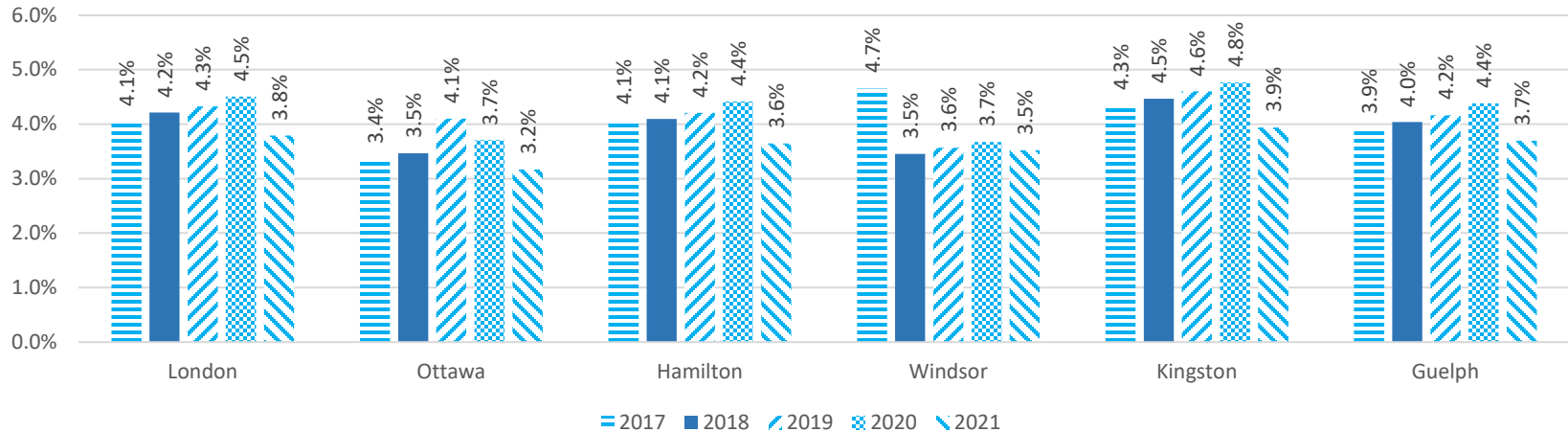
Vulnerability

FORMULA

FIR Schedule 26, Line 0010 and Line 1010, Column 4 divided by FIR Schedule 2, Line 0040, Column 1 (to arrive at average residential tax per household). Median household income is derived from 2016 and 2011 census data.

POTENTIAL LIMITATIONS

- This indicator considers residential affordability only and does not address commercial or industrial affordability concerns.
- This indicator is calculated on a median household basis and does not provide an indication of affordability concerns for low income or fixed income households.



Financial Indicators

TOTAL TAXATION AS A PERCENTAGE OF TOTAL ASSESSMENT

This financial indicator provides an indication of potential affordability concerns by calculating the City's overall rate of taxation. Relatively high tax rate percentages may limit the City's ability to generate incremental revenues in the future.

TYPE OF INDICATOR

Sustainability

Flexibility ✓

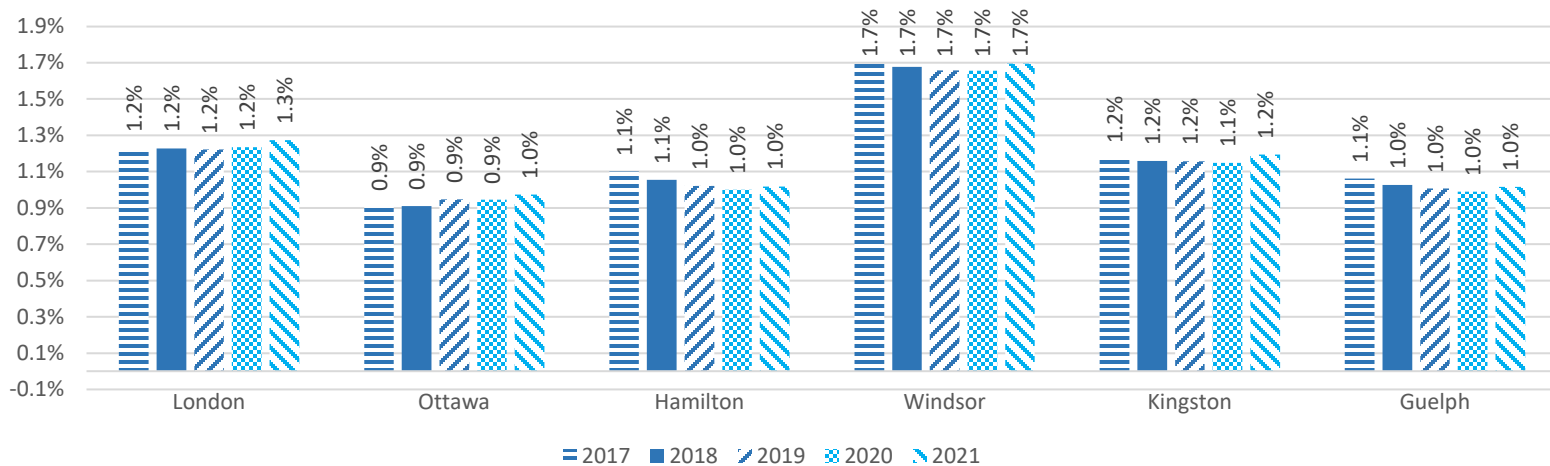
Vulnerability

FORMULA

FIR Schedule 26, Line 9199 and Line 9299, Column 4 divided by FIR Schedule 26, Line 9199 and 9299, Column 17.

POTENTIAL LIMITATIONS

- This indicator considers the City's overall tax rate and will not address affordability issues that may apply to individual property classes (e.g. commercial).



Financial Indicators

DEBT SERVICING COSTS (INTEREST AND PRINCIPAL) AS A PERCENTAGE OF TOTAL REVENUES

This financial indicator provides an indication as to the City's overall indebtedness by calculating the percentage of revenues used to fund long-term debt servicing costs. The City's ability to issue additional debt may be limited if debt servicing costs on existing debt are excessively high.

TYPE OF INDICATOR

Sustainability

Flexibility ✓

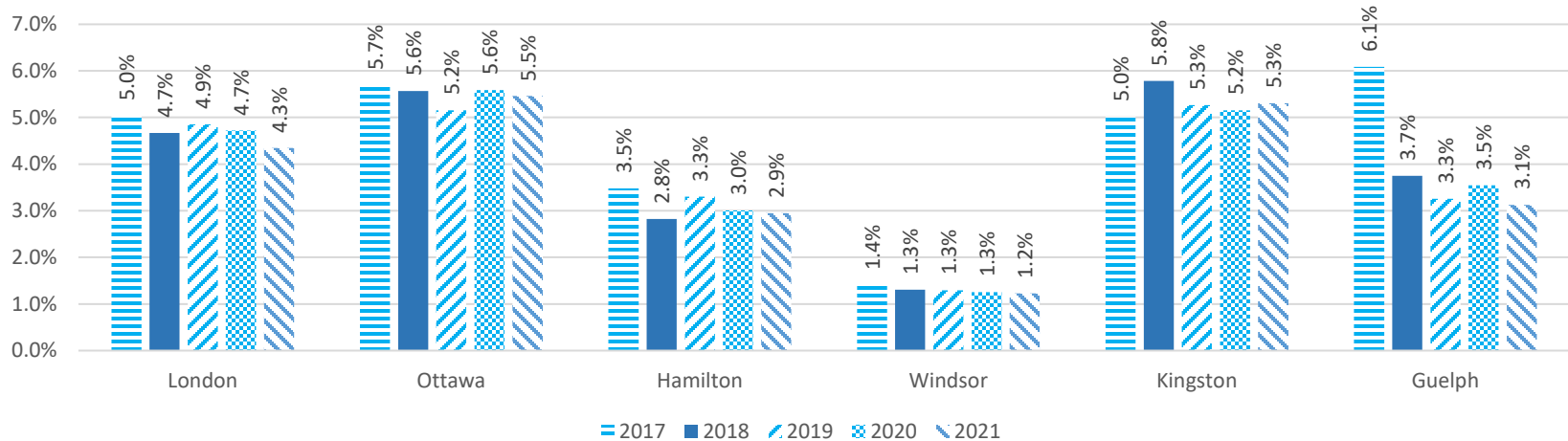
Vulnerability

FORMULA

FIR Schedule 74C, Line 3099, Column 1 and Column 2 divided by FIR Schedule 10, Line 9910, Column 1.

POTENTIAL LIMITATIONS

- No significant limitations have been identified in connection with this indicator



Financial Indicators

NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS AS A PERCENTAGE OF HISTORICAL COST OF TANGIBLE CAPITAL ASSETS

This financial indicator provides an indication as to the extent to which the City is reinvesting in its capital assets as they reach the end of their useful lives. An indicator of 50% indicates that the City is, on average, investing in capital assets as they reach the end of useful life, with indicators of less than 50% indicating that the City's reinvestment is not keeping pace with the aging of its assets.

TYPE OF INDICATOR

Sustainability

Flexibility ✓

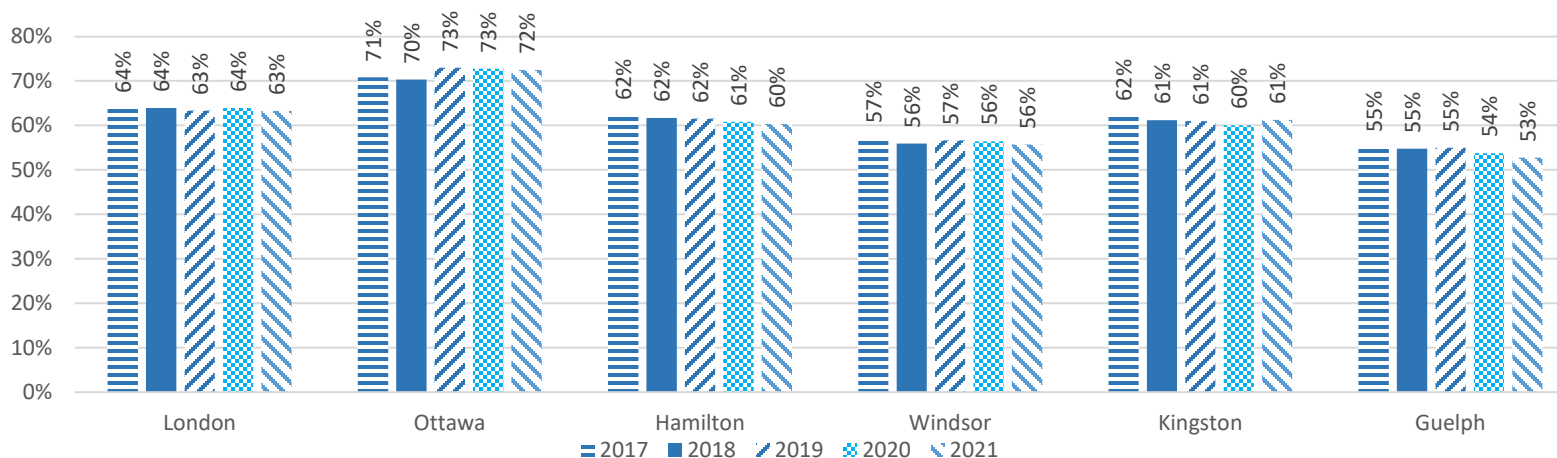
Vulnerability

FORMULA

FIR Schedule 51A, Line 9910, Column 11 divided by FIR Schedule 51A, Line 9910, Column 6.

POTENTIAL LIMITATIONS

- This indicator is based on the historical cost of the City's tangible capital assets, as opposed to replacement cost. As a result, the City's pace of reinvestment is likely lower than calculated by this indicator as replacement cost will exceed historical cost.
- This indicator is calculated on a corporate-level basis and as such, will not identify potential concerns at the departmental level.



Financial Indicators

OPERATING GRANTS AS A PERCENTAGE OF TOTAL REVENUES

This financial indicator provides an indication as to the City's degree of reliance on senior government grants for the purposes of funding operating expenses. The level of operating grants as a percentage of total revenues is directly proportionate with the severity of the impact of a decrease in operating grants.

TYPE OF INDICATOR

Sustainability

Flexibility

Vulnerability

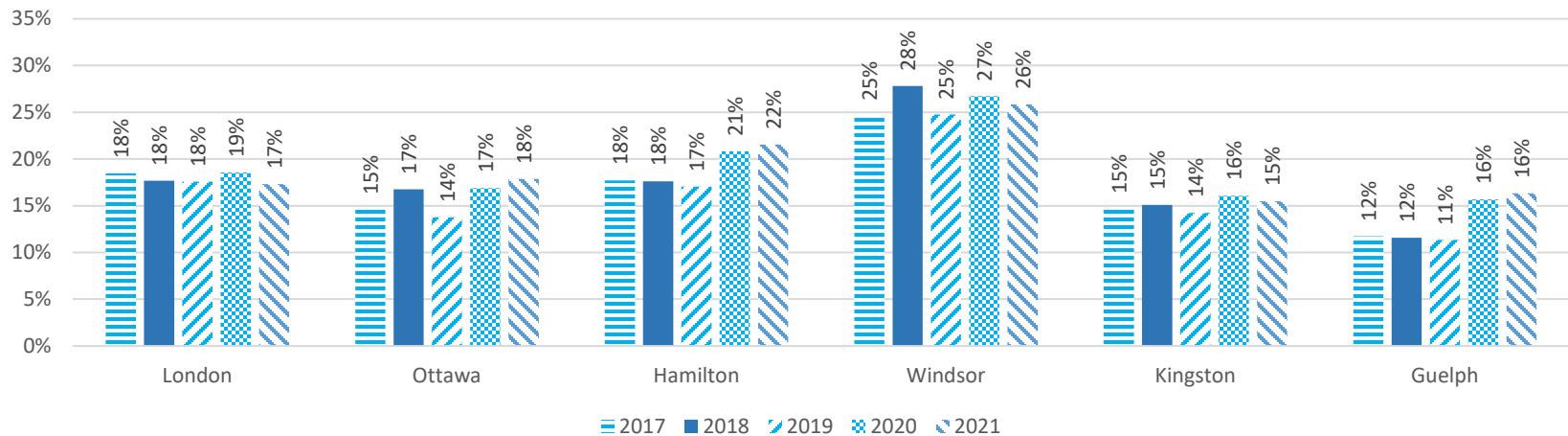


FORMULA

FIR Schedule 10, Line 0699, Line 0810, Line 0820, Line 0830, Column 1 divided by FIR Schedule 10, Line 9910, Column 1.

POTENTIAL LIMITATIONS

- To the extent possible, the City should maximize its operating grant revenue. As such, there is arguably no maximum level associated with this financial indicator.



Financial Indicators

CAPITAL GRANTS AS A PERCENTAGE OF TOTAL CAPITAL EXPENDITURES

This financial indicator provides an indication as to the City's degree of reliance on government grants for the purposes of funding capital expenditures. The level of capital grants as a percentage of total capital expenditures is directly proportionate with the severity of the impact of a decrease in capital grants.

TYPE OF INDICATOR

Sustainability

Flexibility

Vulnerability

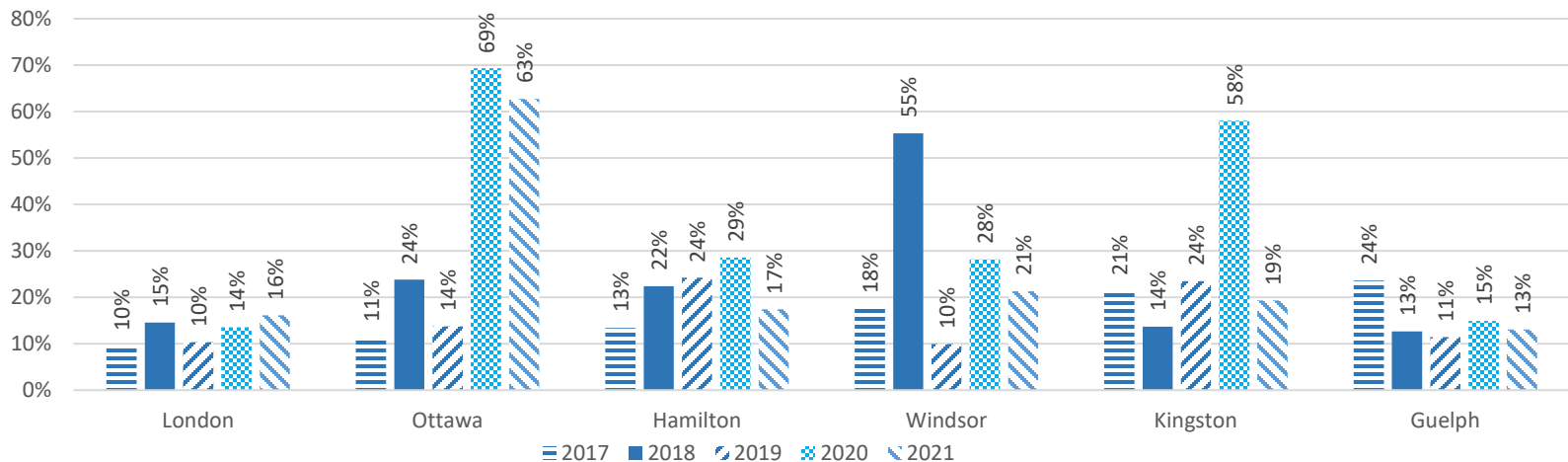


FORMULA

FIR Schedule 10, Line 0815, Line 0825, Line 0831, Column 1 divided by FIR Schedule 51, Line 9910, Column 3.

POTENTIAL LIMITATIONS

- To the extent possible, the City should maximize its capital grant revenue. As such, there is arguably no maximum level associated with this financial indicator.





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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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Appendix: Insights to enhance your business

[Learn more](#)

We have the unique opportunity as your auditors to perform a deeper dive to better understand your business processes that are relevant to financial reporting.

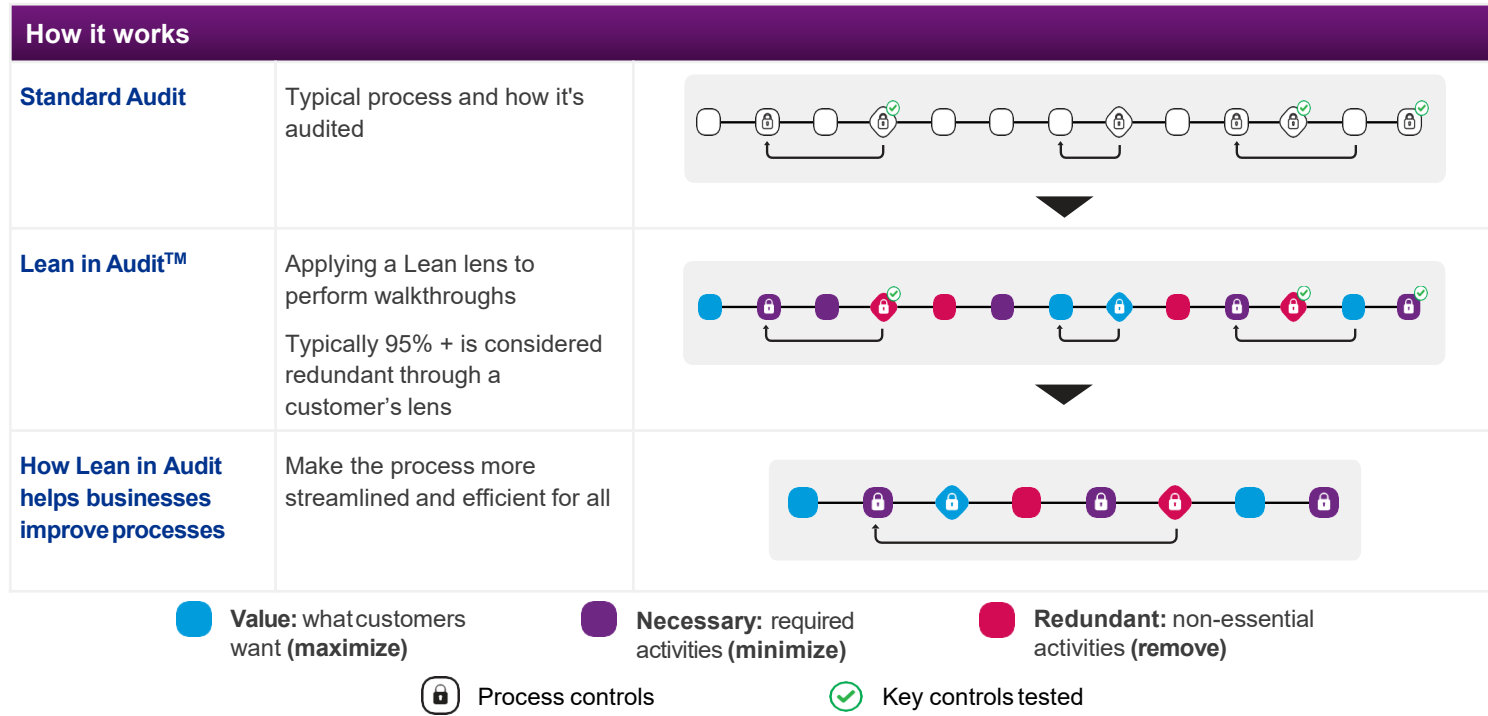
Lean in Audit

Lean in Audit™ is KPMG’s award-winning methodology that offers a new way of looking at processes and engaging people within your finance function and organization through the audit.

By incorporating Lean process analysis techniques into our audit procedures, we can enhance our understanding of your business processes that are relevant to financial reporting and provide you with new and pragmatic insights to improve your processes and controls.

Clients like you have seen immediate benefits such as improved quality, reduced rework, shorter processing times and increased employee engagement.

We look forward to using this approach on your audit in upcoming years and will work with you to select the appropriate processes.





Appendix: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

KPMG Audit & Assurance Insights

Curated research and insights for Audit Committees and boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities.

Current Developments

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.

Audit Committee Guide – Canadian Edition

A practical guide providing insight into current challenges and leading practices shaping Audit Committee effectiveness in Canada

KPMG Learning Academy

Technical accounting and finance courses designed to arm you with leading-edge skills needed in today's disruptive environment.

Government and Public Sector Insights

Navigating the contentious issues disrupting all government and public sector organizations requires the steady hand of a trusted guide.

KPMG Climate Change Financial Reporting Resource Centre

Our climate change resource centre provides insights to help you identify the potential financial statement impacts to your business.

Momentum

A quarterly newsletter providing curated insights for management, boards and Audit Committees.

Uncertain Times Financial Reporting Resource Centre

Uncertain times resource center provides insights to support clients facing challenges relating to COVID-19, natural disasters and geopolitical events.

Environmental, social and governance (ESG)

Building a sustainable, resilient and purpose-led organization

Other Insights



Appendix: Environmental, Social and Governance (ESG)

The Importance of Sustainability Reporting



Sustainability Reporting – Who is impacted?

- **Lenders and underwriters** – increased focus on ESG considerations when making access to capital decisions
- **Investors** – ESG integration has become an investment norm
- **Employees** – ESG has become a key factor in attracting and retaining top talent
- **Consumers** – stakeholders increasingly scrutinize companies' ESG performance and transparency affecting brand acceptance and consumer demand



Importance to the Audit Committee

- **Regulatory developments** – ESG-related compliance costs and disclosure requirements continue to evolve as rules are finalized
- **Material ESG issues** – Audit Committees should understand stakeholder priorities and the company's material ESG risks and opportunities
- **Value creation** – developing a clear ESG strategy, along with a standardized reporting process can set a company apart from its competitors



Governance on ESG Data and Sustainability Reporting

- **Data collecting and reporting** – understand the ESG frameworks and reporting standards most commonly adopted in the industry and jurisdiction (benchmark to others in the industry)
- **ESG assurance** – Audit Committees are best positioned to understand which ESG metrics merit assurance. An assurance readiness assessment on Carbon is a common and often recommended first place to start



Appendix: Environmental, Social and Governance (ESG)

The time is now to accelerate the ESG journey.

Environmental, Social and Governance (ESG) has revolutionized how organizations in all sectors and markets are delivering their services. ESG refers to a framework to integrate environmental, social, governance risks and opportunities into an entity's strategy to build long-term sustainability and value creation. KPMG's 2021 CEO Outlook highlighted that 30% of CEO's are planning to invest more than 10% of their revenues towards becoming more sustainable. Stakeholder expectations have changed significantly — ESG is no longer a nice-to-have, or an initiative that can be pursued independent of an entity's other objectives.

To be successful, ESG needs to become an integral component of an entity's strategy, and all facets of its operations. Entities need to transform how performance is measured. ESG is also shaping financial reporting requirements. In addition to substantial investments to support sustainability and climate change, the Government of Canada's Budget 2021 announced a commitment to engage with the provinces and territories on adoption of climate disclosures consistent with the Task Force on Climate-related Financial Disclosures (TCFD). Canada's Crown corporations are presently working to adopt the TCFD standards. Leading not-for-profit organizations are also looking at adopting the TCFD requirements on a voluntary basis.

KPMG shares your passion for ESG. Recently, KPMG launched a transformative ESG global strategy to embed ESG in every one of the services we provide, the learning and development of our professionals, and commits the firm to achieve net-zero carbon emissions by 2030. Globally, KPMG is investing over \$1.5 billion over the next three years to accelerate global solutions for environmental, social and governance issues. Our sustainability and impact service offerings cover the full range of requirements, from strategy setting, to impact measurement, decarbonization, reporting and assurance. The time is now to begin a discussion on your entity's ESG journey.

Contact us to discuss how KPMG can support you on your ESG journey!



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Appendix: Cyber Security

Cyber-related risk a top concern for audit committees

Cybersecurity is among the most complex and rapidly evolving issues facing organizations. New [research from KPMG](#) finds that only 38 per cent of Canadian companies feel cybersecurity is "deeply embedded" into all aspects of their governance and management processes. As cyber threats grow more sophisticated, so does the audit committee's responsibility for cybersecurity risk oversight. It's critical that Audit Committees have a fundamental understanding of the organizational risks and vulnerabilities associated with a remote workforce, adoption of cloud services, and accelerated digital transformation.

See [full article](#).

Audit committees need to look internally to fight cyber threats

Hacks and breaches can be costly, damage the reputation of a company and open it to litigation—making cybersecurity one of the most pressing issues facing organizations today. Companies must have a cyber strategy both to protect their operations and to secure customer data. Audit committees, overseeing many of the company's activities and performance, must be certain management is keeping up with the evolving threat landscape and has sound strategies in place to identify and mitigate risk.

See [full article](#).

No backing down on cyber

Budgets are tighter and economic forecasts less favorable, but now is no time to stick a pin in cybersecurity. If anything, the surging necessity for digital transformation among Canada's businesses underscores a need for technologies, strategies, and leadership to manage today's threats.

See [full article](#).



[kpmg.ca](https://www.kpmg.ca)

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KPMG member firms around the world have 227,000 professionals, in 145 countries.



THE CORPORATION OF THE CITY OF LONDON

**REPORT ON THE RESULTS OF APPLYING AGREED-UPON PROCEDURES FOR
THE LONDON DOWNTOWN CLOSED CIRCUIT TELEVISION PROGRAM FOR THE
YEAR ENDING DECEMBER 31, 2022**



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AGREED-UPON PROCEDURES REPORT

To the Corporation of the City of London

Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of performing the agreed-upon procedures set forth in the accompanying Schedule in connection with the Code of Practice related to the London Downtown Closed Circuit Television Program for the year ended December 31, 2022 (“Subject matter”) (“Purpose”) and may not be suitable for another purpose.

Responsibilities of the Engaging Party

The Corporation of the City of London has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Corporation of the City of London is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioner’s Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the Canadian Standard on Related Services (CSRS) 4400, *Agreed-Upon Procedures Engagements*.

An Agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Corporation of the City of London and reporting the findings, which are the factual results of the agreed-upon procedures performed.

We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.



Professional Ethics and Quality Management

We have complied with ethical requirements, including those pertaining to independence, relevant to assurance engagements in Canada.

Our firm applies Canadian Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Corporation of the City of London

- 1 Obtain and read the “Code of Practice” dated January 30, 2013, related to the London Downtown Closed Circuit Television Program.

KPMG obtained and read the Code of Practice dated January 30, 2013. KPMG confirmed with Mike Bessegato – Manager of Corporate Security, that there have been no updates to the document.

- 2 Ensure that adequate camera monitoring staff are present at the time the specified audit procedures are being performed.

KPMG observed at least one camera monitoring staff was present in the camera room while the specified audit procedures were being performed, as required by the Code of Practice.

- 3 On a monthly basis, select a sample of four recordings, each for a 15-minute period, from 17 cameras located in the City of London downtown core. Review the recordings for compliance with Section 12 of the Code of Practice for camera use and ensure the recordings have not monitored individuals in any manner that would constitute a violation of the Code of Practice.

KPMG selected a total sample of 48 recordings for testing throughout the year.

During the year, there were three instances where the City was not able to burn the footage for the dates and times that were randomly selected, as follows:

Finding 1: There was missing footage on February 17, 2022. The video was not burned because the request for the burn was provided on a Friday and the technician did not receive it until the Monday. Alternate dates were requested and provided.



Finding 2: There was missing footage on July 31, 2022. The video was not burned due to staff being on holiday and replacement personnel not receiving the burn request in time. Alternate dates were requested and provided.

Finding 3: There was missing footage on November 15 and November 17, 2022. The City was not able to burn the footage due to the City server being down and needing to be repaired. We understand from Management that the server suffered a catastrophic failure resulting in a total server replacement and was fixed on November 18, 2022.

We have noted that all recordings reviewed are in compliance with Section 12 of the Code of Practice for camera use.

4 Obtain the camera monitoring logbook and review for the following information:

- a) Reported incidents were properly recorded in accordance with Section 16 of the Code of Practice

We have examined the camera monitoring digital logbook. KPMG noted that reported incidents were recorded in accordance with Section 16 of the Code of Practice.

- b) Only authorized staff had access to the Security Office

We have examined the camera monitoring digital logbook and noted that only authorized staff had access to the Security Office during the period of January 1, 2022 to December 31, 2022.

- c) Recorded information was released according to the Code of Practice requirements for release of information contained in section 15 of the Code of Practice.

We have examined the camera monitoring digital logbook and noted that recorded information was released according to the Code of Practice requirements for release of information.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

January 13, 2023

City of London
Audit Committee Meeting
February 15, 2023
Internal Audit Follow Up Activities Dashboard

Internal Audit Follow Up Activities as of February 3, 2023

A strong indicator of an effective internal control environment is the timeliness with which Management addresses reported control deficiencies. On a quarterly basis, MNP will conduct an audit follow-up process to ensure internal audit findings have been effectively remediated through the implementation of related Management action plans on a timely basis.

There are eight (8) recommendations from issued audit reports that were followed up on during this quarter. Two (2) Management action items were closed, five (5) were retargeted and one (1) action item is on track to be completed by its respective due date.

- Fire Process Assessment – Three (3) Medium Risk Observations
- Fleet Allocation & Utilization Management Assessment – Two (2) Medium Risk Observations
- Advanced Traffic Management System (ATMS) Project Review – One (1) Medium Risk Observation
- Dearness Home Process Assessment – Two (2) Medium Risk Observations

Remediation Status Legend



Open Management Action Plans

#	Management Action Plan	Risk Rating	Due Date	Remediation Status	Quarterly Update
Fire Process Assessment					
1	<p><u>Key Performance Indicators (“KPI”)</u></p> <p>The ICO implementation team has the KPIs that should be utilized. These data capturing requirements will be built into the ICO processes. This will provide the ability to run reports as needed. This enhancement is contingent on the completion of the ICO system and the ability of personnel to log data appropriately.</p> <p>Please note, if this recommendation requires updates or enhancements to the current ICO system, from either an ITS perspective and/or service area perspective, Civic Administration will take this project through the next multi-year ITS and budget approval processes.</p>	Medium	<p>Original Due Date: December 2022</p> <p>Revised Due Date: September 2023</p>	Delayed	Management continues to work with ICO to ensure that the KPIs noted can be captured within the Records Management System and a revised targeted date has been established.
2	<p><u>Condition Based Vehicle Assessments</u></p> <p>This initiative is twofold. Firstly, there is the need to align policies and procedures to the actions that will be undertaken within the current ICO Records Management system. Secondly, the ICO implementation team has the KPIs that should be utilized. These data capturing requirements will be built into the current ICO processes. This will provide the ability to run reports as needed. This enhancement is contingent on the completion of the current ICO system and the ability of personnel to log data appropriately.</p> <p>Please note, if this recommendation requires updates or enhancements to the current ICO system, from either an ITS perspective and/or service area perspective, Civic Administration will take this project through the next multi-year ITS and budget approval processes.</p>	Medium	<p>Original Due Date: December 2022</p> <p>Revised Due Date: September 2023</p>	Delayed	Fire staff continue to work with ICO as well as the City’s Finance staff. While ICO was targeting all components of the system to be delivered by the end of 2022 this was not realized. Staff are working to finalize a completion date in 2023 and a revised targeted date has been established.

#	Management Action Plan	Risk Rating	Due Date	Remediation Status	Quarterly Update
3	<p><u>Preventative Maintenance, Productivity, and Inventory</u></p> <p>This initiative is twofold. Firstly, there is the need to align policies and procedures to the actions that will be undertaken within the ICO Records Management system. Secondly, the ICO implementation team has the KPIs that should be utilized. These data capturing requirements will be built into the ICO processes. This will provide the ability to run reports as needed. This enhancement is contingent on the completion of the ICO system and the ability of personnel to log data appropriately.</p> <p>The implementation of this recommendation is also contingent on the additional resources requested through the 2022 annual budget approval process.</p>	Medium	<p>Original Due Date: December 2022</p> <p>Revised Due Date: September 2024</p>	Delayed	Expected implementation completion of ICO system is September 2023. The physical location changes will require funding to complete, therefore completion is estimated in September 2024 and a revised targeted date has been established.
Fleet Allocation & Utilization Management Assessment					
1	<p><u>Confirm Delegated Authority</u></p> <p>Develop an administrative policy for delegated authority and escalation protocols that defines a procedure and approval process for Service Area vehicles and replacement decisions, rental/owned balance, and additional vehicles and equipment added to the fleet.</p>	Medium	<p>Consultations with Service areas to be completed</p> <p>Original Due Date: September 2022</p> <p>Revised Due Date: March 2023</p> <p>Administrative Policy draft prepared by</p> <p>Original Due Date: December 2022</p> <p>Revised Due Date: March 2023</p> <p>Approval targeted</p> <p>Original Due Date: March 2023</p> <p>Revised Due Date: May 2023</p>	Delayed	Management has experienced some delays due to the extra time needed to incorporate policy guidelines shared from other municipalities and the inclusion of low emissions governance in support of CEAP objectives.
2	<p><u>Improve Productivity/Reduce Costs</u></p> <p>Automation of Work Orders/General Productivity and Operator Damage</p> <p>Develop a submission to the Technology Investment Strategy Committee through the designated process. A work order automation business case request will be submitted for</p>	Medium	<p>Driver Safety Task Team to be developed and in place by April 2022 (Completed).</p>	On Track for Completion	Management is on track to complete their action plan by the documented due date.

#	Management Action Plan	Risk Rating	Due Date	Remediation Status	Quarterly Update
	<p>consideration as part of the next intake of the Technology Investment Strategy as ITS support will be required. Should this project be prioritized to proceed with technology support, it will be submitted as a business case for consideration as part of the next Multi-Year Budget process.</p> <p>Continue to work closely with Driver Safety and Compliance. Establish a task team of key service area reps to meet regularly to discuss driver safety, trends, training, programming, and compliance issues.</p> <p>Develop a full telematic strategy that includes the required human resource support required to analyze data. Make recommendation on telematics strategy to Director of Fleet and Facilities and subsequently bring forward to CWC committee.</p> <p>Explore a PM maintenance program that utilizes telematics data to support the planned maintenance and service schedules.</p> <p>Asset Pool Program</p> <p>Develop and implement a gradual vehicle pool program in certain vehicle classes utilizing learned experiences from other municipalities.</p>		<p>Work order automation and telematics – Feasibility and Recommendations to Director of Fleet and Facilities December 2022 (Completed).</p> <p>Telematic Strategy – Meet with stakeholders and Driver Safety and Compliance and continue expansion of the telematics program in the interim. Full telematics strategy and policy developed for December 2023.</p>		
Advanced Traffic Management System (ATMS) Project Review					
4	<p><u>No Process for Benefits Realization Management Including Baselineing and Quantification of Benefits</u></p> <p>Quantification of benefits realization are an ongoing challenge of the ATMS project both due to ever-changing, dynamic nature of transportation systems and, most recently, the impacts of COVID which show increased positive benefits due to decreased travel demands. However, opportunities will be sought to demonstrate the ATMS benefits through specific improvement initiatives including the Adaptive Corridor Pilot, corridor timing improvements, and transit priority through typical metrics such as travel time and reliability indexes and transit schedule adherence. The ATMS is a nexus point of many tools that will be realized under the overall TIMMS program.</p>	Medium	<p>Corridor timing improvements metric to be implemented by June 2023</p> <p>Adaptive corridor pilot metric and transit priority metric to be implemented by Original Due Date: June 2023 Revised Due Date: December 2023</p>	Delayed	<p>Management is on track to complete components of their action plan by the documented due date with some delays on other components due to system implementation and integration challenges.</p>

#	Management Action Plan	Risk Rating	Due Date	Remediation Status	Quarterly Update
Dearness Home Process Assessment					
1	<p><u>Organizational Design and Culture</u></p> <p>Management will meet with HR to discuss the report and to seek the necessary support to realize the action plan. The outcome for Q1 2020 is for HR to understand the action plan and be engaged in supporting and enabling improvements.</p> <p>In Q1 2020, management will also meet with clerical staff and their union to discuss this report and future actions.</p> <p>Management will communicate core values and strategic objectives to Clerical staff and work to achieve improved engagement, equitable work distribution, more efficient processes, and enhanced employee experience.</p> <p>To seek practical, actionable improvements, management will engage external consultants with long-term care experience to conduct an activity study, identify possible process enhancements, suggest metrics to track progress, and to recommend optimization strategies and implementation plans.</p> <p>Following the steps above, analysis will be conducted by senior Home and City leadership, HR, and Finance to ensure that organizational systems enable clerical staff to fully support business objectives and the values and beliefs of the Dearness Home.</p>	Medium	December 2022 (Complete)	Closed	Management action item has been completed.
4	<p><u>Digitization of Manual Processes and Documents</u></p> <p>Building on recent success in using continuous improvement methodology to deploy text-based scheduling, Dearness Home will continue to increase the use of technology. Opportunities to use technology to enhance efficiency and optimize service will be identified through stakeholder input, data collection, and recommendations from the consultants. Management will ensure these process improvements are aligned with the goals of Dearness Home and the City.</p>	Medium	October 2022 (Complete)	Closed	Management action item has been completed.

MEMO TO : City of London – Audit Committee
FROM : MNP LLP
SUBJECT : Briefing Note From Internal Auditor
DATE : February 15, 2023

- Based on discussions with City Management, a revised scope for the Talent Management Audit was identified to better assist the City with the challenges emerging from a post-covid environment. This revised scope will now focus on an evaluation of the City’s sourcing and recruitment policies, procedures, and processes to help assess if the City has the talent to deliver on the Council’s strategic direction and operational requirements and the identification of leading practices to support the City with succession planning. This audit report will be presented at the next Audit Committee meeting in June 2023.
- Given ongoing required time commitments for both City staff and Management to effectively support ongoing operations and organizational change, implementation of internal audit management action items and supporting ongoing internal audit activities, Internal Audit in conjunction with City Management delayed the start of the Asset Retirement Audit until January 2023. This audit report will be presented at the next Audit Committee meeting in June 2023. The Asset Retirement Audit will look to provide an assessment of the processes and controls in place related to the identification, monitoring and reporting of environmental and financial asset retirement obligations, specifically considering compliance with requirements under Section PS 3280 – Asset Retirement Obligations.
- MNP is in the planning stages of the Vendor Management Audit. This audit will look to evaluate the mechanisms and processes in place to manage vendor risk (third party), with a focus on governance, compliance and risk management including assessment of materiality and due diligence performed prior to commencement of services and the monitoring and reporting of performance with SLA’s and contractual terms. This audit report will be presented at the next Audit Committee meeting in June 2023.

City of London - Internal Audit

Neighbourhood Decision Making Program Value for Money (“VfM”) Audit

Final Report – February 6, 2023

Prepared by: Geoff Rodrigues, CPA, CA, CIA, CRMA, ORMP, CSC
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MNP LLP
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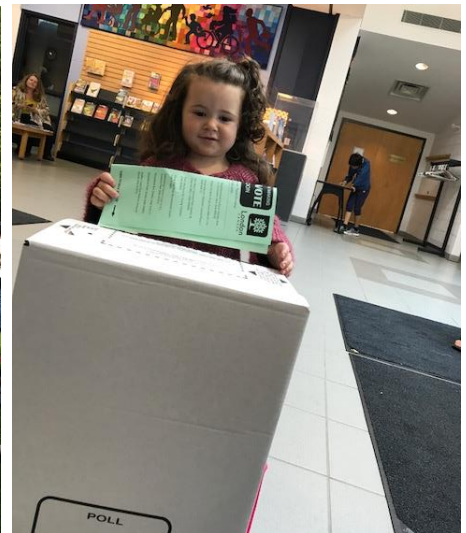




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1.0 BACKGROUND

The City of London ("City") is a municipality with a population of approximately 422,000 (as of 2021) providing various community and neighborhood based services to its residents including neighborhood support programs, infrastructure services, and recreational and cultural programs and amenities. As a municipality, the City is continually attempting to improve its operating efficiency, effectiveness, and transparency for the benefit of its residents.

Neighbourhood Decision Making ("NDM") is a Program that offers community members the opportunity to decide how to allocate a portion of the municipal budget in their neighbourhoods and enables residents to work with their local government to make key decisions in strengthening their neighbourhoods. The purpose of this Program is to engage, empower and connect residents around community-driven initiatives that enhance and strengthen their neighbourhoods. A resident of any age can participate in all steps of the process, from idea submissions to voting.

The Program supports the Strategic Plan of the City in strengthening the community by creating vibrant, connected, and engaged neighbourhoods. The Program was successfully piloted in two areas of the City in 2016 and was officially launched across the City in 2017. The annual pre-approved budget for the Program is a total of \$250,000 - \$50,000 allocated to five specific geographic areas across the City. Any one project is limited up to a maximum of \$30,000.

An external cloud-based tracking and reporting platform is used to administer and manage the key processes of the NDM Program, including the receipt and processing of ideas. Residents can submit their votes online using the City's "Getinvolved" portal, in person or via a phone-in option. All ideas are assessed for feasibility and are voted on. Winning ideas are expected to be implemented within one year of the vote day.

The City is continually looking to improve its operations and drive value to its residents, so with this awareness and in accordance with the City's FY2022 internal audit plan, a value for money ("VfM") audit of the NDM Program was performed to help identify opportunities to optimize the value delivered from this Program.

2.0 OBJECTIVE

To review the design and operating effectiveness of key controls pertaining to the NDM Program, including submission, evaluation and approval of projects, as well as return on investment (measuring outputs and outcomes) and identify opportunities to optimize and expand the scope of the Program, where practical.

3.0 SCOPE

This audit followed a structured approach to review the NDM Program. The scope included the following:

1. Review of existing governance structures and roles and responsibilities.
2. Review of existing policies, process documentation and procedures that are currently being used to support the administration of the Program, including the use of guiding principles.
3. Evaluation of key controls regarding idea submission, idea evaluation, idea approval and allocation of budgetary funds which supports the administration of the Program.
4. Assessment of the effectiveness and completeness of the evaluation performed to determine the feasibility of a resident's idea into a project.

5. Review of measures used to determine the success of a completed idea and identify opportunities for improvement.

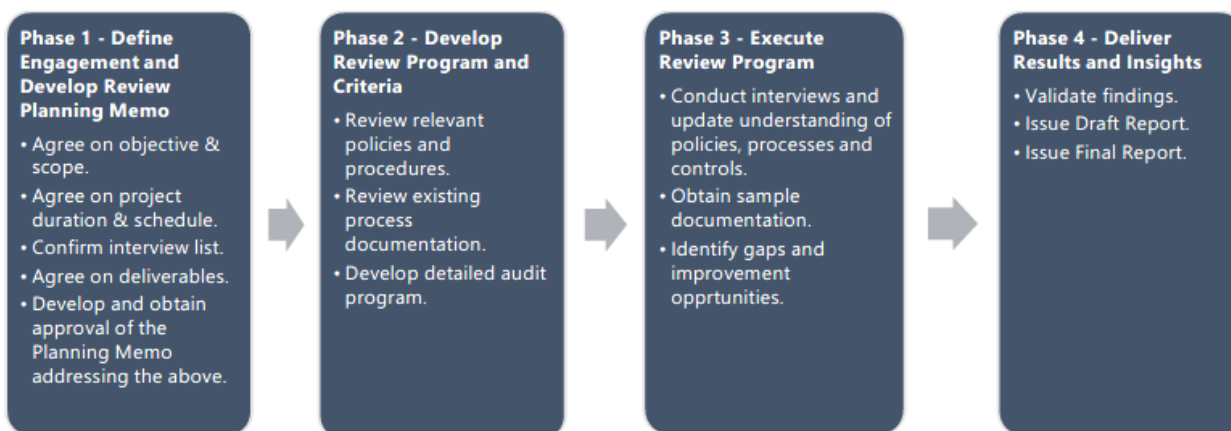
3.0 RISKS

Given the stated objectives and scope, the following inherent risks¹ were considered and assessed during this audit:

- Appropriate governance structures and roles and responsibilities have not been established leading to ineffective oversight and management of the Program;
- Policies and procedures are not documented or are not sufficient leading to inconsistent execution of key processes and loss of institutional knowledge should key team members leave the City or are unavailable for a period of time;
- Key controls pertaining to the Program do not exist or are not operating effectively leading to a reduction of economy, efficiency, and effectiveness of the Program and mismanagement of budgetary funds;
- Feasibility analysis of an idea is not sufficient or complete leading to an undesired outcome; and,
- Evaluation of an implemented idea is not conducted or is insufficient resulting in the City being unable to determine the success of a completed initiative.

4.0 APPROACH

In accordance with MNP’s Internal Audit methodology, the high-level work plan for the audit included the following phases:



¹ The risk derived from the environment without the mitigating effects of internal controls; Institute of Internal Auditors.

5.0 STRENGTHS

During the course of this audit, a number of strengths pertaining to the NDM Program were identified as described in the table below.

<p>Experienced and Knowledgeable NDM Program Personnel</p>	<p>Key personnel directly involved in the NDM Program within the Neighbourhood and Community-Wide Services Team have strong expertise and experience in operating and managing the Program. Furthermore, due to the long service tenure of these individuals in supporting the Program, there is a high level of institutional knowledge which serves the administration of the Program well.</p>
<p>Annual High Level Plan for the Rollout of NDM Program</p>	<p>Prior to the launch of the NDM Program each year, the City creates a plan to help ensure the Program is managed and executed successfully during its lifecycle. The 2022 plan included the following key components:</p> <ul style="list-style-type: none"> • NDM Program timeline; • Core team and their role and responsibilities; • Project plan detailing important milestones from initiation to conclusion of the Program; and, • Key changes implemented based on the evaluation of the NDM Program in 2021.
<p>NDM Program Communication Tools</p>	<p>The City has created robust “Letters of Information and Understanding” templates which are shared with residents with winning ideas and those who are responsible for implementing the idea. These letters help ensure that all relevant parties are kept apprised of the project plan, roles and responsibilities and terms and conditions. It also ensures that the idea is implemented in a timely manner.</p>
<p>Community Connectors</p>	<p>The City uses Community Connectors to increase participation from members of each community. The Connectors help promote the Program throughout its lifecycle by presenting the Program in different languages to engage with residents from diverse backgrounds and from different equity-denied communities. Promotional activities that the Connectors undertake include pop up events, online engagement, movie nights, neighbourhood and community gatherings and sporting events. Community Connectors are important in ensuring that the Program is easily accessible and understandable for all communities.</p>
<p>Internal Controls regarding the Allocation of Budgetary Funds</p>	<p>The NDM Program has adequate internal controls in place to manage the use of funds. Examples of these internal controls include:</p> <ul style="list-style-type: none"> • The NDM Program’s budget is preapproved by Council. • All internal transfers of budgetary funds to relevant service areas for idea implementation are approved by Finance prior to completion of transfer. • All reimbursements for expenses incurred by a resident and allocation of funds to an organization for idea implementation, are approved by designated Civic Administration. <p>These key controls help mitigate the unauthorized use of budgetary funds and ensure that these funds are managed appropriately.</p>

<p>NDM Program Surveys</p>	<p>Each year the City conducts two NDM Program surveys: the “Idea Submitter” survey and the “Voter Exit” survey. The “Idea Submitter” survey is used to obtain an idea submitter’s feedback on key areas, such as the idea submission process, spend limit per idea, the division of the City into five geographical regions and other key areas. The “Voter Exit” survey is used to obtain a voter’s feedback regarding how they heard about the Program, their experience with the Program and other key areas. Both surveys are important information gathering tools and help to ensure that the Program continuously improves each year and better caters to the needs of residents.</p>
<p>NDM Program Idea Submission Support</p>	<p>The City has created an “Idea Booklet” which provides suggestions on potential feasible ideas that can help improve a resident’s neighbourhood. Each idea suggestion provides details such as an idea’s potential costs, considerations, resident involvement, and helpful links. This is a key resource for any resident looking to submit an idea to improve their neighbourhood as it provides them with a strong understanding and guidance on implementable and successful ideas.</p>

6.0 SUMMARY OF OBSERVATIONS

Based on our review, the City recognizes the importance of performing its duty in continuing to develop and improve the NDM Program and ensuring all residents are engaged and involved in making their neighbourhood a better place to live. The NDM Program adheres to established tasks and procedures from idea receipt to idea implementation and there are established processes in place to support effective administration of the NDM Program across the City. The parties involved in the direct administration of the NDM Program possess strong experience, expertise, and institutional knowledge of the City’s NDM Program, having been directly involved in the administration of this Program for several years.

However, opportunities for improvement were identified during the conduct of the audit, such as the updating, and adding clarity to the Program guiding principles; tracking the effectiveness of implemented ideas; documenting key idea feasibility approvals; and considering potential lifetime maintenance costs when determining idea feasibility. These and other opportunities for improvement are detailed further below.

The following table presents a summary of observations identified, recommendations, and their respective risk rating based on the rating scale identified in **Appendix A**. These observations and recommendations were discussed with the City’s Management responsible for the respective control area. Management has agreed with the observations and provided action plans to address the recommendations. A full list of the observations identified, and the detailed associated recommendations and management action plans are included in **Section 7.0** of this report.

Ref	Summary of Observations	H	M	L
1	<p><u>Resident Project Participation Compensation</u></p> <p>During the audit, it was noted that a resident who submitted an idea was also compensated for managing the implementation of an idea. Specifically, the resident supported the project with artist management and negotiations, venue planning, volunteer training and marketing for a neighbourhood event, as part of the project implementation and invoiced the City accordingly as per the approved project budget.</p> <p>There is a risk that idea submitters may look to exploit the NDM Program by exaggerating their involvement and support regarding the implementation of an idea should a resident be compensated for their involvement.</p>			
2	<p><u>NDM Program Guiding Principles</u></p> <p>It was noted that guiding principles do not always help drive consistency in decision making pertaining to ideas related to:</p> <ul style="list-style-type: none"> • Ideas on Private Property • Ideas on School Property • Role and Compensation for Idea Submitters <p>Without clear guiding principles, there is a risk that ideas that go against the spirit and principles of the Program are submitted and approved for implementation resulting in reduced value for residents.</p>			

Ref	Summary of Observations	H	M	L
3	<p><u>Tracking the Effectiveness of Implemented Ideas/Projects</u></p> <p>While the City implements feasible ideas based on a popular vote, it was noted that the City does not measure the success of an implemented idea in order to determine the value it has brought to a neighbourhood.</p> <p>Without tracking the effectiveness of implemented ideas, the City will not be able to ascertain the true value an implemented idea has brought to a neighbourhood, both qualitative and quantitative. In addition, the City will be unable to measure success of an implemented idea and establish baselines that can serve as a reference for future implementation efforts.</p>			
4	<p><u>Consolidation, Formalization and Documentation of Key NDM Program Processes and Templates</u></p> <p>It was noted that the following key processes and procedures have not been formally documented within one stand alone procedural manual:</p> <ul style="list-style-type: none"> • Process of obtaining and documenting idea feasibility information and approvals from Subject Matter Experts (“SMEs”) and key members of City Management; • Method for communicating feasibility results to the idea submitter; • Process of modifying winning ideas to ensure they fit budget constraints; • Process for communicating voting results to idea submitters; • Process for communicating correspondence to relevant parties; • Process for implementing a winning idea including allocating funds to relevant parties; and, • A “How to” manual for the use of the NDM Program module within the external cloud based system. <p>In addition, it was noted that the following key processes and procedures have not been standardized within a template:</p> <ul style="list-style-type: none"> • Template for determining and documenting the feasibility analysis performed on a resident’s idea; and, • Template for communicating the feasibility result to a resident. <p>Without documentation and standardization of key NDM Program processes, there is a risk that key NDM Program processes will not be executed in a consistent manner resulting in unintended and undesirable outcomes. In addition, there could be a loss of institutional knowledge should key team members leave the organization or be unavailable for a period of time if processes are not documented.</p>			

Ref	Summary of Observations	H	M	L
5	<p><u>Idea/Project Feasibility Analysis and Documentation of Approvals</u></p> <p>MNP noted that while feasibility analysis considers key components of an idea, anticipated lifetime maintenance costs may not be consistently taken into consideration when determining the feasibility of a resident’s idea.</p> <p>Furthermore, MNP reviewed four samples out of approximately 100 feasible ideas and noted that the required idea feasibility approvals from the SME and key members of City Management were not formally documented.</p> <p>Without the consideration of all relevant factors when determining the feasibility of a resident’s idea, there is a risk that the conclusion of the feasibility analysis will be inaccurate resulting in unforeseen obstacles, additional monetary or resource expenditure and the City potentially not being able to implement the idea.</p> <p>Without the documentation of idea feasibility approvals, there is a risk that all relevant approvals are not obtained resulting in the implementation of an unapproved idea.</p>			
6	<p><u>Cancellation Contingencies for Implementing an Idea/Project</u></p> <p>It was noted that the City has not established a contingency regarding reserving the right to cancel the implementation of a winning idea if factors pertaining to implementing the idea change substantially such as material increases in costs due to market conditions such as inflation and supply chain disruption.</p> <p>Without the establishment of relevant contingencies, there is a risk that the City will be required to implement an idea during unforeseen market conditions which can lead to a disruption in operations and additional monetary or resource expenditure.</p>			
7	<p><u>NDM Program Status Update Report</u></p> <p>It was noted that there is currently no formal and standardized Program status report which is produced at a set frequency to provide key Program information on a timely basis. Such a report would increase efficiency and accessibility to key information on a consistent basis.</p> <p>Without periodic status updates, there is a risk that relevant stakeholders are not kept apprised of the progress of the Program in a timely manner and Program management are sporadically responding to information requests resulting in resource inefficiencies.</p>			

Ref	Summary of Observations	H	M	L
8	<p><u>External Cloud Based Platform and User Limitations</u></p> <p>It was noted that the current platform used to administer and manage the Program has some limitations and functionality issues which impacted the availability and use of the platform to support NDM Program processes.</p> <p>Limitations within the system and capacity of users can lead to operational inefficiencies and disengagement amongst Program staff.</p>			
9	<p><u>Service Level Agreements (“SLAs”) and Key Performance Indicators (“KPIs”)</u></p> <p>It was noted that internal and external SLAs and related KPIs have not been established to measure and monitor the performance of key processes of the NDM Program.</p> <p>Without SLAs and KPIs in place to monitor NDM Program operations, the City is unable to measure the performance of key processes and identify opportunities for improvement. Moreover, there is a risk that performance expectations are not clear and understood which could result in performance discrepancies versus expectations, and key performance measures cannot be compared and monitored to set targets or standards against.</p>			
10	<p><u>Use of Physical Advertising for NDM Program Promotion</u></p> <p>It was noted that the City has not performed a review of its current use of digital billboards or other forms of large physical advertisements in order to ensure large physical advertisements are being displayed evenly throughout all five quintiles of the City.</p> <p>There is a risk that certain areas of the City will not be engaged with the Program as intended and therefore the City is not maximizing its value from its advertisements.</p>			
11	<p><u>Project Steering Committee</u></p> <p>While it was noted that there is frequent communication and collaboration between key stakeholders administering the Program, a formalized and dedicated committee to support the execution of the Program has not been established.</p> <p>Without a project steering committee, there is a risk that issues will not be actioned upon and remediated in a timely manner leading to delays and operational inefficiencies. In addition, key stakeholders to the Program may not be present or aware of key project decisions.</p>			



6.1 ACKNOWLEDGEMENT OF COOPERATION AND EFFORTS

Internal Audit would like to express our appreciation for the cooperation and efforts made by City personnel within the Neighbourhood and Community-Wide Services Team who manage and administer the NDM Program. Their contributions assisted in ensuring a successful engagement.

6.2 LIMITATIONS AND RESTRICTIONS

This report is intended solely for the information and use of the City of London and should not be distributed to third parties without MNP's prior written consent. Any use that a third party makes of this report, and any reliance or decisions made based on it, are the responsibility of such third party. MNP accepts no liability or responsibility for any loss or damages suffered by any third party as a result of decisions made or actions taken based on this report.

7.0 DETAILED OBSERVATIONS AND RECOMMENDATIONS

#	Observation	Priority	Recommendation	Management Response
1	<p><u>Resident Project Participation Compensation</u></p> <p>During the audit, it was noted that a resident who submitted an idea was also compensated for managing the implementation of an idea. Specifically, the resident supported the project with artist management and negotiations, venue planning, volunteer training and marketing for a neighbourhood event, as part of the project implementation and invoiced the City accordingly as per the approved project budget.</p> <p>The current Program’s guiding principles (“FAQs”) do not clarify whether a resident may be compensated for supporting the implementation of an idea.</p> <p>There is a risk that idea submitters may look to exploit the NDM Program by exaggerating their involvement and support regarding the implementation of an idea should a resident be compensated for their involvement</p>	Medium	<p>The NDM Program guiding principles should be updated and clarified to include that idea submitters either will or will not be compensated for their time and involvement. (Reimbursement for eligible and reasonable expenses should be permitted, if desired within the Program, if a resident has incurred related expenditures for implementing the idea and has appropriate supporting documentation for their expenditures within the approved project budget. Refer to Recommendation #2 for more details).</p>	<p>Action Plan:</p> <p>Review the guiding principles. Develop a comprehensive NDM Procedural Manual.</p> <p>Accountability:</p> <p>Community Development and Grants in consultation with Finance Supports.</p> <p>Timeline:</p> <p>Guiding principles to be reviewed prior to launch of the 2023 NDM Program.</p>
2	<p><u>NDM Program Guiding Principles</u></p> <p>The City has created guiding principles (“FAQs”) to support with the administration of the Program. These principles can be accessed through the City’s website and</p>	Medium	<p>The NDM Program guiding principles should be updated to ensure that principles are clear, succinct, and aligned to the intent and spirit of the Program. Specifically, additional supporting criteria should be prepared for the following areas:</p> <ul style="list-style-type: none"> • Ideas on Private Property: 	<p>Action Plan:</p> <p>Review Guiding Principles and incorporate updates into the new NDM Procedural Manual.</p>

#	Observation	Priority	Recommendation	Management Response
	<p>are used to guide idea submissions, feasibility analysis and approvals for a resident’s idea.</p> <p>It was noted that guiding principles do not always help drive consistency in decision making pertaining to ideas related to:</p> <ul style="list-style-type: none"> • Ideas on Private Property – Currently, the City will not pay for a project on private property unless there is complete and total access by the public. However, it is unclear whose responsibility it is to maintain/restore the outcome of an idea that is located on private property once completed (e.g., beautification of private property which is visible to the public, such as a mural). • Ideas on School Property – The City does not clarify when an idea would be suitable to be implemented on public property, such as a school. • Role and Compensation for Idea Submitters – It is not clear if a resident can be compensated for time spent managing and supporting the implementation of an idea. • Expenditure Reimbursement for Idea Implementers – It is not clear how the City will determine the reasonability of expense reimbursements. <p>Without clear guiding principles, there is a risk that ideas that go against the spirit and principles of the Program are submitted and approved for implementation resulting in reduced value for residents.</p>		<ul style="list-style-type: none"> ○ What constitutes a private property. ○ Ownership of maintenance of ideas implemented on private property. ○ Timeline restrictions to amend idea outcomes. • Ideas on School Property: <ul style="list-style-type: none"> ○ When can an idea be implemented on school property considering access requirements/restrictions. • Idea Submitter Compensation <ul style="list-style-type: none"> ○ Can a resident be compensated for their submission and involvement with the implementation of an idea. • Expenditure Reimbursement <ul style="list-style-type: none"> ○ What will the resident be reimbursed for and when and how. ○ Factors to consider include: <ul style="list-style-type: none"> ▪ Value of common alternatives. ▪ Volume of purchase. ▪ Type of good (luxury vs normal). 	<p>Accountability:</p> <p>Community Development and Grants in consultation with Finance Supports.</p> <p>Timeline:</p> <p>Guiding principles to be reviewed prior to launch of the 2023 NDM Program.</p>

#	Observation	Priority	Recommendation	Management Response
3	<p><u>Tracking the Effectiveness of Implemented Ideas/Projects</u></p> <p>While the City implements feasible ideas based on a popular vote, it was noted that the City does not measure the success of an implemented idea in order to determine the value it has brought to a neighbourhood.</p> <p>By determining the success of an implemented idea, the City can determine the degree to which implemented ideas contribute to strengthening and increasing neighbourhood engagement and value. This will also help the City justify spend and budget allocation for ongoing and future idea implementation efforts.</p> <p>Without tracking the effectiveness of implemented ideas, the City will not be able to ascertain the true value an implemented idea has brought to a neighbourhood, both qualitative and quantitative. In addition, the City will be unable to measure success of an implemented idea and establish baselines that can serve as a reference for future implementation efforts.</p>	Medium	<p>The success of ideas post implementation should be measured, where practical. The frequency, type and nature of analysis can vary depending on the implemented idea.</p> <p>Both qualitative and quantitative analysis should be utilized to help determine if desired outcomes have been accomplished. As an example, to determine the effectiveness of an implemented idea, the City could utilize factors such as:</p> <ul style="list-style-type: none"> • Measuring resident attendance or usage (i.e., for park playgrounds, benches, skate parks, community electric vehicle charging stations, etc.). • Tracking social media engagement (i.e., reviewing hashtags for locations/implemented ideas). • Performing resident surveys to obtain their opinions on the implemented idea. • Measuring community safety metrics (i.e., after installation of streetlights and traffic signs). 	<p>Action Plan:</p> <p>Develop a comprehensive program evaluation framework that combines the assessment of implemented ideas with existing program metrics and KPIs. Incorporate the program evaluation into the NDM Procedural Manual.</p> <p>Accountability:</p> <p>Community Development and Grants in consultation with relevant Service Areas.</p> <p>Timeline:</p> <p>2024 – 2025.</p>

#	Observation	Priority	Recommendation	Management Response
4	<p><u>Consolidation, Formalization and Documentation of Key NDM Program Processes and Templates</u></p> <p>The City utilizes various guidance and informative materials to support the administration of the NDM Program. However, there is no overarching framework underpinned by formally documented and an approved procedural manual pertaining to the NDM Program that provide a detailed overview of the Program and its processes. While MNP noted that an overarching framework and a related procedural manual may not be formally documented, it was noted that the NDM Program processes and procedures are well understood by those involved in the process.</p> <p>In addition, the following key processes and procedures have not been formally documented within a procedural manual:</p> <ul style="list-style-type: none"> • Process of obtaining and documenting idea feasibility information and approvals from Subject Matter Experts (“SMEs”) and key members of City Management. • Method for communicating feasibility results to the idea submitter; • Process of modifying winning ideas to ensure they fit budget constraints; • Process for communicating voting results to idea submitters; • Process for communicating correspondence to relevant parties; 	Medium	<p>An overarching framework outlining the end-to-end process of the NDM Program should be developed. This framework should outline the key roles and responsibilities of each key stakeholder.</p> <p>Key processes should also be documented within a procedural manual and should outline the detailed steps of each process and the responsibilities of staff. This information should be communicated and accessible to relevant staff.</p> <p>A ‘version control’ section should be included within the framework and procedural manual. This section should cover the following information:</p> <ul style="list-style-type: none"> • Owner; • Approver; • Date of approval; • Date issued; • Date effective; • Date of last change; • Description/rationale of changes; • Frequency of Review (e.g., annually, biennially); and, • Date of next review. <p>In addition, templates should be created to ensure key processes are standardized. For example, the following factors should be considered when creating a</p>	<p>Action Plan:</p> <p>Develop NDM Procedural. Manual that formally documents existing processes and procedures.</p> <p>Accountability:</p> <p>Community Development and Grants.</p> <p>Timeline:</p> <p>Prior to launch of 2023 NDM.</p>

#	Observation	Priority	Recommendation	Management Response
	<ul style="list-style-type: none"> Process for implementing a winning idea, including allocating funds to relevant parties; and, A “How to” manual for the use of the NDM Program module within the external cloud based system. <p>Templates help drive consistency in operations, save time and improve efficiency. It was noted that the following key processes and procedures have not been standardized within a template:</p> <ul style="list-style-type: none"> Determining and documenting the feasibility analysis performed on a resident’s idea; and, Communicating the feasibility result to a resident. <p>Without documentation and standardization of key processes, there is a risk that key NDM Program processes will not be executed in a consistent manner resulting in unintended and undesirable outcomes. In addition, there could be a loss of institutional knowledge should key team members leave the organization or be unavailable for a period of time if processes are not documented.</p>		<p>template for documenting the feasibility analysis performed on a resident’s idea:</p> <ul style="list-style-type: none"> Assessment of the competency and capability of the service area to implement the idea including assessing resource capacity. Assessment of the idea against guiding principles of the Program. All potential expenditures including the following: <ul style="list-style-type: none"> Costs for implementing an idea; Ensuring each stated cost for implementing an idea are tied back to a responsible party; Potential increase in costs due to market conditions such as inflation, supply chain etc.; and, Lifetime maintenance costs. Approvals from the following key parties: <ul style="list-style-type: none"> The SME and key members of City Management. 	
5	<p><u>Idea/Project Feasibility Analysis and Documentation of Approvals</u></p> <p>Each idea that is submitted by a resident is analyzed to determine its feasibility by the respective service area. This helps the City determine whether the service area will be able to implement the idea within the \$30,000 budget</p>	Medium	<p>Anticipated lifetime maintenance costs should be taken into consideration when determining the feasibility of a resident’s idea.</p> <p>In addition, idea feasibility approvals should be documented from the following key parties:</p>	<p>Action Plan: Develop a new NDM Procedural Manual.</p> <p>Accountability:</p>

#	Observation	Priority	Recommendation	Management Response
	<p>limit and whether the idea aligns with the Program’s guiding principles. This process is also used to obtain approvals from key parties, such as a SME and key members of City Management.</p> <p>MNP noted that while the feasibility analysis considers key components of an idea, anticipated lifetime maintenance costs may not be consistently taken into consideration.</p> <p>Furthermore, MNP selected four samples out of approximately 100 feasible ideas and noted that the required idea feasibility approvals from the SME and key members of City Management were not formally documented.</p> <p>It is acknowledged that approvals were given verbally by each party during in person or virtual meetings.</p> <p>Without the consideration of all relevant factors when determining the feasibility of a resident’s idea, there is a risk that the conclusion of the feasibility analysis will be inaccurate resulting in unforeseen obstacles, additional monetary or resource expenditure and the City potentially not being able to implement the idea.</p> <p>Without the documentation of idea feasibility approvals, there is a risk that all relevant approvals are not obtained resulting in the implementation of an unapproved idea.</p>		<ul style="list-style-type: none"> The SME and key members of City Management. <p>These approvals can be documented within the template for recording the feasibility analysis performed on a resident’s idea as noted in Recommendation #4.</p>	<p>Community Development and Grants.</p> <p>Timeline: Prior to launch of 2023 NDM.</p>

#	Observation	Priority	Recommendation	Management Response
6	<p><u>Cancellation Contingencies for Implementing an Idea/Project</u></p> <p>It was noted that the City has not established a contingency regarding reserving the right to cancel the implementation of a winning idea if factors pertaining to implementing the idea change substantially such as material increases in costs due to market conditions such as inflation and supply chain disruption.</p> <p>This contingency will help minimize risks and additional expenditure by ensuring the City and the service area is not required to implement ideas that have increased costs due to market conditions. This will also ensure that only winning ideas within the established limit of \$30,000 are implemented.</p> <p>Without the establishment of relevant contingencies, there is a risk that the City will be required to implement an idea during unforeseen market conditions which can lead to a disruption in operations and additional monetary or resource expenditure.</p>	Medium	<p>The City should establish a contingency which allows it to reserve the right to cancel and/or amend the implementation of a winning idea if factors pertaining to implementing the idea were to substantially change.</p> <p>This contingency should be displayed on the City's website and residents should be made aware of this contingency when submitting their ideas and when being notified of a winning idea.</p>	<p>Action Plan:</p> <p>Develop a contingency procedure that outlines the City's rights should a winning idea no longer be feasible, and how the surplus funds will be used. Include the contingency procedure in the new NDM Procedural Manual and communicate information to program participants.</p> <p>Accountability:</p> <p>Community Development and Grants in consultation with Legal Services.</p> <p>Timeline:</p> <p>2023 – 2024.</p>

#	Observation	Priority	Recommendation	Management Response
7	<p><u>NDM Program Status Update Report</u></p> <p>During the audit, it was noted that key City stakeholders inquire as to the status of the Program, and this often requires Program management to collate information at the time of these requests. This can often be a cumbersome process as each request can vary in nature. There is currently no formal and standardized Program status report that is produced at a regular frequency to provide key Program information on a timely basis. Such a report would increase efficiency and accessibility to key information on a consistent basis.</p> <p>Without periodic status updates, there is a risk that relevant stakeholders are not kept apprised of the progress of the Program in a timely manner and Program management are sporadically responding to information requests resulting in resource inefficiencies.</p>	Medium	<p>A standardized status update report should be established, updated, and distributed to key stakeholders at a regular frequency. The following Program information is an example of what can be considered when creating the status update report:</p> <ul style="list-style-type: none"> • Number of ideas received; • Number of ideas currently in feasibility analysis; • Pending approvals on feasibility for a resident’s idea; • Number of ideas determined to be feasible and unfeasible; • Social media metrics; • Program health (i.e., on track, experiencing some delays or experiencing significant delays); and, • Potential risks. 	<p>Action Plan:</p> <p>Develop status update report template including existing KPIs.</p> <p>Accountability:</p> <p>Community Development and Grants.</p> <p>Timeline:</p> <p>Prior to launch of 2023 NDM.</p>
8	<p><u>External Cloud Based Platform and User Limitations</u></p> <p>An external cloud-based tracking and reporting platform that is used to administer and manage key processes of the NDM Program, such as the receipt and processing of ideas and voting.</p> <p>It was noted that the system has some limitations and functionality issues which impacted the availability and use of the platform to support NDM Program processes.</p>	Medium	<p>The City should consider performing a cost/benefit analysis to help determine whether another system may be more suitable to help administer and manage key processes of the NDM Program.</p>	<p>Action Plan:</p> <p>Provide additional training to the current NDM program staff using the system and explore simple upgrades to assist the users. In future, if necessary, assess suitability of the current system.</p>

#	Observation	Priority	Recommendation	Management Response
	<p>Limitations within the system and capacity of users can lead to operational inefficiencies and disengagement amongst Program staff.</p>			<p>Accountability: Community Development and Grants in consultation with relevant Service Areas.</p> <p>Timeline: Provide training in 2023 and assess system in 2024.</p>
9	<p><u>Service Level Agreements (“SLAs”) and Key Performance Indicators (“KPIs”)</u></p> <p>An SLA defines the level of service that is expected and lays out the metrics by which the service is measured. A KPI is a measurable value that demonstrates how effectively a stakeholder is meeting the SLA.</p> <p>It was noted that internal and external SLAs and related KPIs have not been established to measure and monitor the performance of key processes of the NDM Program.</p> <p>Without SLAs and KPIs in place to monitor NDM Program operations, the City is unable to measure the performance of key processes and identify opportunities for improvement. Moreover, there is a risk that performance</p>	Medium	<p>SLAs and related KPIs should be established for key processes of the Program. The development of the SLAs and KPIs should factor in the processing of ideas by type, volume, and frequency to help ensure any service standards created are realistic and represent an accurate reflection on performance.</p> <p>The following are examples of internal and external measures that could be implemented by the NDM Program team:</p> <ul style="list-style-type: none"> • Feasibility Analysis (Internal Measure) <ul style="list-style-type: none"> ○ Average time taken for SMEs or relevant staff to provide idea feasibility notes and conclusion. 	<p>Action Plan: Develop SLAs as appropriate and incorporate relevant KPIs.</p> <p>Accountability: Community Development and Grants.</p> <p>Timeline: 2024.</p>

#	Observation	Priority	Recommendation	Management Response
	<p>expectations are not clear and understood which could result in performance discrepancies versus expectations, and key performance measures cannot be compared and monitored to set targets or standards against.</p>		<ul style="list-style-type: none"> • Communications with idea submitters (External Measures) <ul style="list-style-type: none"> ○ Average time taken to communicate the idea feasibility result to an idea submitter. ○ Average time taken to communicate the voting results to an idea submitter and next steps for idea implementation. ○ Average time taken to provide status update/progress of implementation to an idea submitter. <p>Internal measures should be communicated within the City and external measures should be communicated to residents via the City's website to ensure performance expectations are clear and understood by each party.</p>	
10	<p><u>Use of Physical Advertising for NDM Program Promotion</u></p> <p>The City uses digital billboards as one of the physical advertising mechanisms to promote the Program throughout London. In addition, the City uses several promotional tactics to support external communications for the Program, including organic and paid English and translated social media posts, Google Display ads, TV ads, posters, postcards, bus advertisements, inserts included in Ontario Works cheques and digital advertisements across popular websites.</p>	Low	<p>A review of the City's use of digital billboards or other forms of large physical advertisements to support marketing initiatives should be performed and should consider key factors such as spend, placement and location.</p>	<p>Action Plan:</p> <p>A review will be conducted to ensure digital billboards, or other forms of large physical advertisements, will be distributed evenly in all five quintiles moving forward.</p>

#	Observation	Priority	Recommendation	Management Response
	<p>However, it was noted that the City has not performed a review of its current use of digital billboards or other forms of large physical advertisements in order to ensure large physical advertisements are being displayed evenly throughout all five quintiles of the City.</p> <p>There is a risk that certain areas of the City will not be engaged with the Program as intended and therefore the City is not maximizing its value from its advertisements.</p>			<p>Accountability: Corporate Communications.</p> <p>Timeline: 2023.</p>
11	<p><u>Project Steering Committee</u></p> <p>While it was noted that there is frequent communication and collaboration between key stakeholders administering the Program, a formalized and dedicated committee to support the execution of the Program has not been established which would discuss key program issues, make key decisions, and obtain and document relevant approvals.</p> <p>Without a project steering committee, there is a risk that issues will not be actioned upon and remediated in a timely manner leading to delays and operational inefficiencies. In addition, key stakeholders to the Program may not be present or aware of key project decisions.</p>	Low	<p>A Project Steering Committee should be established with a clear Terms of Reference which outlines decision and approval authorities, frequency of meetings, quorum, and role and responsibilities. This will allow for all key idea items to be discussed and managed in a centralized forum.</p>	<p>Action Plan: Recruit Steering Community and develop Terms of Reference.</p> <p>Accountability: Community Development and Grants in consultation with all Service Areas.</p> <p>Timeline: 2024.</p>

APPENDIX A – RATING SCALE

The findings outlined in this report have been assessed based on a rating scale defined in the table below:

Rating	Description
Low	The finding is not critical but should be addressed in the longer term to improve either internal controls, efficiency of the process, or mitigate a minor risk.
Medium	The finding represents a control weakness or risk that could have or is having an adverse effect on the ability to achieve process objectives and/or a significant impact to the City's residents. The finding requires Management action within the short-to-intermediate term.
High	The finding represents a significant control weakness or risk that could have or is having a major adverse effect on the ability to achieve process objectives and/or a material impact to the City's residents. The finding requires immediate Management action.



APPENDIX B – REPORT DISTRIBUTION LIST

This report was distributed to the following parties:

City of London	
To:	
Audit Committee	
Cheryl Smith, Deputy City Manager, Neighbourhood and Community-Wide Services	
Kristen Pawlec, Director, Community Development and Grants	
Karen Oldham, Manager, Neighbourhood Development & Support	
MNP LLP	
Geoff Rodrigues, Engagement Partner	
Veronica Bila, Quality Assurance Partner	
Deepak Jaswal, VfM Specialist	
Phil Racco, Engagement Leader	
Osman Qureshi, Senior Auditor	