



Audit Committee MINUTES

**Held Thursday, July 10, 2008
City Council Chambers
11:30 a.m.**

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PRESENT: Councillor A. Poirier, Chair
Councillor D. McCann, Member
Councillor W. Cuthbert, Member
Kathleen O'Flaherty, Member
Councillor C. Van Walleghem
Councillor R. McMillan
Cindy Gasparini
B. Preisenzanz, CAO
K. Brown, Finance & Administration Manager

REGRETS: Mayor L. Compton, Ex-Officio
William A. Marr, Member
Councillor C. Drinkwater

A. PUBLIC INFORMATION NOTICES AS PER BY-LAW NUMBER 14-2003

N/A

B. DECLARATION OF PECUNIARY INTEREST

N/A

C. CONFIRMATION OF MINUTES

Moved by W. Cuthbert, Seconded by K. O'Flaherty & Carried:-
THAT the Minutes from the last meeting held Monday, December 10, 2007 be confirmed as written.

D. DEPUTATIONS

N/A

E. REPORTS

1. Review of Draft Investment RFP Documents and Process

The committee reviewed the current draft RFP and proposed recipients list. Committee agreed to the following amendments to the current draft RFP:

- \$28 million should be included on the RFP, as opposed to the \$27 million to include anticipated interest to December 2008.
- The \$11 million currently held in ONE should also be noted as being an additional potential investment. Following the RFP, it will be reviewed with the successful respondent as to the optimal time for switching investments from the ONE fund bond fund to the successful RFP respondent in order to minimize any loss related to market impact.
- The ONE Fund will be put back on the RFP recipient list for inclusion

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in the RFP process.

- The date of the proposed investment portfolio was corrected to August 1, 2008.
- Under Liquidity of Proposed Portfolio, it was recommended that the term "significant" be eliminated. Committee directed that this section be changed to reflect the fact that all related principal funds were intended to be held long term. Committee further directed that this section indicate that the principal would not be touched prior to November 30, 2010, and thereafter only up to a maximum of 5% would be accessed during any calendar year, with a minimum of a 365 day notice period prior to withdrawal. It was noted that this did not include interest or investment income which is intended to be used annually to offset the City's tax levy.
- RFP to include requirement that interest and investment income is to be drawn from investment as accrued to December 31 each year.
- The following changes were to be made to the evaluation process section:
 - Remove adherence to policy as an evaluation tool as this is requirement to qualify to be considered. Any RFP's not in compliance with City investment policy will not be considered. The related weighting is to be shifted to the net yield rating.
 - The actual weighting percentages for evaluation purposes are to be removed from the RFP.

With regards to the proposed recipients listing, there was some discussion on what the recipients would be included on this list. It was noted that the list was originated in early 2006 through Martin R. Nelson's office. Committee requested Karen Brown to follow up with that office to find out how the original list from 2006 was determined, and that a related discussion take place for researching this issue further and updating the list. Committee agreed that they would extend the RFP process beyond local financial institutions. In addition, the following changes were made:

- Eliminate Edward Jones as a recipient.
- Review the opportunity to add First Canadian Property Investments – Cindy Gasparini volunteered to provide Karen Brown contact information for this organization.

It was agreed that the entire \$28 million would be awarded to one respondent, and that this award would be based strictly on the best response, with highest priority given to the net return to the City.

It was further recommended that the City's auditors (BDO Dunwoody) be contacted with regards to performing a review of the RFP responses and providing an analysis back to the Audit Committee.

2. 2006 City Management Letter from External Auditors

There was some discussion with regards to the 2006 City management letter and related report and recommendations from City administration.

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RECOMMENDATION:

THAT the Audit Committee adopt the recommendations contained in the Audit Management Letter report dated June 18, 2008, and further that City staff be given the direction to ensure these recommendations are put in place.

Recommendation approved.

3. Audit Committee Membership

It was noted that Bill Marr's membership on the Audit Committee will expire on December 31, 2008 and that he has regrettably declined to extend his term. It was agreed that the Committee would advertise this upcoming vacancy through the Clerk's department. It was further discussed that this vacancy would be advertised as soon as possible with the recognition that Bill Marr is currently actively involved on other City committees and that someone could be appointed to the Audit Committee prior to the end of Mr. Marr's term so that they are actively involved during 2008. The term of the appointment would be to the end of the term of the current Council.

ITEMS ON HOLD:

N/A

OTHER BUSINESS

Annual Report for 2007

There was some discussion with regards to the timing of the 2007 annual report, and whether that report should be issued without the information related to the KMTS entities, or held for that information. It was noted that neither the City nor the City's external auditors (Martin R. Nelson) have received the 2007 year end working paper files from KMTS at this time. It is expected that the City may not have its final audited statements until October or November of 2008, meaning the 2007 annual report could be issued as late as December 2008. It was noted, however, that the external auditors will not provide any opinion, even qualified, without having audited the KMTS information. The committee agreed that they did not want to issue the annual report without either an audit opinion or the KMTS information, and recommended that the City hold issuing the 2007 annual report until the KMTS entity audit has been completed.

NEXT MEETING

- To be determined

The meeting adjourned at 12:57 p.m.

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