



Audit Committee Meeting Minutes

**Friday, April 20, 2012.
11:30 a.m.
City Council Chambers**

ACTION

Present:

**Councillor L. Roussin, Committee Chair
Councillor R. McKay, Committee Vice-Chair
Councillor R. McMillan, Committee Member
Cindy Gasparini, Committee Member
Kathleen O'Flaherty, Committee Member**

Staff:

**Karen Brown, CAO, Resource
Charlotte Edie, Treasurer, Resource
Lisa Oakes, Budget/Audit General, Resource
Joanne McMillin, Clerk**

Also in Attendance:

**Councillor R. Lunny
Councillor S. Smith
Claudine Cordeiro, BDO
Jennifer Pyzer-Whetter, BDO**

A. Public information Notices as per By-law Number 144-2007 N/A

B. Declaration of Pecuniary Interest & the General Nature Thereof

- 1) On Today's Agenda
 - 2) From a Meeting at which a Member was not in Attendance.
- There were none declared.**

C. Confirmation of Minutes

Motion #1.

Moved by R. McMillan, Seconded by R. McKay & Carried:
That the Minutes from the last Audit Committee Meeting held
Monday, July 11, 2011, be confirmed and written and filed.

D. Reports:

Prior to reviewing Item #1 on the agenda, Councillor Lunny referred to the Terms of Reference for the Audit Committee, noting the terms cite three Members of Council appointed to the Committee along with the Mayor as Ex-Officio. With this make-up there is a majority of Council on the Committee as the Mayor is entitled to vote. The Clerk confirmed that the Mayor as Ex-Officio is entitled to participate and vote under Council's Procedural By-law. It was discussed that perhaps consideration could be given to amending the Terms of Reference to reduce the number of Council Members to two so there is not a quorum of Council participating on this Committee.

It was mentioned the Audit Committee was established to be independent of Council, but with the way the Committee is set up Council is in control of this Committee. It was questioned how the Committee can be independent of Council when Council makes the appointments. It was explained the intent was always that this Committee would have oversight over council.

It was noted that in most cases the function of Board Members, for example School Board, Hospital Board, is to serve the function of dealing with their Auditor. Ms Cordeiro doesn't believe it is mandatory for this Committee to be independent.

Lisa was asked to prepare a report for the May Committee of the Whole Meeting regarding the Terms of Reference and the matter of Council make-up on the Audit Committee.

It was mentioned that one Member of Council could be replaced with a public appointment in order to correct the numbers for Council.

1. Terms of Office

Lisa advised of the staggered terms on the Audit Committee with the public appointments noting that Kathleen O'Flaherty's term ended in November, 2011, and Cindy Gasparini as well as Councillors ends November 30, 2012.

Karen advised these terms have always been staggered from the outside membership for consistency purposes as Council Members come and go through the Municipal Election process.

Motion #1

Moved by R. McMillan, Seconded by R. McKay and Carried:-

That Council hereby extends the term of office for the following Audit Committee Members:

- Kathleen O'Flaherty to November 30, 2013;
- Cindy Gasparini to November 30, 2014.

Lisa to forward a report to the May Committee of the Whole Meeting.

The terms for Council expire November 30, 2012 and these will be extended once the Terms of Reference has been reviewed.

Lisa Oakes

Lisa Oakes

2. Staffing Updates

Lisa Oakes introduced herself as the new Budget/Auditor General, this being her first meeting with the Audit Committee. Charlotte then advised of the new staff in the Finance Department:

- Wayne Morris, Payables/Assistant Accountant
- Lorna Talocka, Payroll
- Jaret Ring, HR/Payroll Assistant
- Melissa Shaw, Tax Collector trainee

3. 2011 Audit Plan – BDO

Councillor Roussin spoke to the document provided by BDO dated April 20, 2012 regarding the Audit of the Consolidated Financial Statements for the year ended December 31, 2011, and offered the following suggestions to control costs:

- Tracking areas of damage control/loss controls, and the need for a policy to track downgrading incidents, including repairs and maintenance; rolling stock;
- Issues with sewer, water and storm costs, loss control and backlog deficit tracking.

Reference was made to suspected or alleged fraud and it was questioned if this is part of the Committee's mandate. BDO indicated they would be interested to know of any (apparent) fraud or wrong doings in the event it has an impact on management statements. A discussion ensued on various emails that Karen and Members of Council have been receiving from a member of the public who is upset about sewer and water rates and in particular requesting an audit of the City's sewer and water system. Karen advised BDO she will forward the emails to them for their information and review.

K. Brown

Councillor McKay questioned the linkage to Kenora Hydro and Ms Cordeiro explained that BDO does a complete audit of hydro and it was mentioned that Council is invited to attend the Hydro AGM.

Councillor McKay asked if BDO audits the Citizens Trust Fund and Ms Cordeiro advised it is not their role to judge decisions by Administration or Council, but if they find during the audit that something regarding the fund doesn't make sense, they will put it in writing, and the Management Letter would reflect recommendations. She further noted that the City's policies are used by BDO to carry out their audit.

Members discussed the role of this Committee and it was mentioned the Committee looks at what has happened in the past, and is not looking at setting policies for future due diligence.

Councillor Lunny left the meeting at 12:20 p.m.

Jennifer Pyzer-Whetter then communicated various aspects of the audit to the Committee regarding the following items:

- Current developments in the Profession
- Independence
- Responsibilities of the Auditor
- Audit Approach/Scope
- Requests by the Audit Committee
- Overall Audit Strategy
- Higher Risk financial Statement Areas
- Materiality
- Reliance on an Expert
- Management Representations
- Communication of Results

It was explained that at the end of the audit there will be another meeting between BDO and the Committee at which time their Management letter will be submitted.

BDO explained things are rolling along as expected and that the Hydro Audit has been completed.

It was noted that the Lake of the Woods Development Commission is part of the City's books even though they are a separate Corporation; they are included in the City's audit.

A discussion ensued on capital items and Charlotte expressed concern on the Kenora District Services Board as their Audit isn't starting until May and she is concerned we may not get their information in time and this is a concern on how this late information will be received by our Auditors for the year-end. BDO explained they would accept a zero estimate for purposes of the KDSB and that they would accept that as an estimate. Ms Cordeiro explained this item will not hold up their audit file.

Charlotte went on to explain that typically year-end is all completed by the end of April except for capital assets, and that the FIR is due at the end of May.

It was explained when BDO presents the Financial Statements to this Committee, City Council will be invited to attend.

4. Other Business

N/A

5. Next Meeting

At the call of the Chair; it was noted the next meeting will likely be with BDO for presentation of the Financial Statements.

6. Adjournment

Motion #2

Moved by R. McMillan, Seconded by K. O'Flaherty and Carried:

That this meeting be now declared closed at 12:50 p.m.