Present were: Chair T. Galloway, K. Seiling, S. Strickland, J. Wideman and C. Zehr

MOTION TO GO INTO CLOSED SESSION

MOVED by C. Zehr
SECONDED by K. Seiling

That a closed meeting of Audit Committee be held on Tuesday, February 28, 2012 at approximately 2:30 p.m. in accordance with Section 239 of the Municipal Act, 2001, for the purposes of considering the following subject matter:

a) labour relations

CARRIED

MOTION TO RECONVENE INTO OPEN SESSION

MOVED by K. Seiling
SECONDED by C. Zehr

THAT the meeting reconvene into Open Session.

CARRIED

DECLARATIONS OF PECUNIARY INTEREST UNDER THE MUNICIPAL CONFLICT OF INTEREST ACT

None declared.

INTERDEPARTMENTAL REPORTS

a) CA-12-002/E-12-017, Region of Waterloo International Airport – Program Review 2011-2012

David A. Young, Manager, Internal Audit, provided the Committee with a detailed overview of the findings of the program review, outlining the process of the program review and its objectives.

John Hammer, Director, Transportation, provided additional detail to the Committee with regard to the recommendations arising from the program review, specifically the recommendations dealing with developing a long range plan to guide capital plans, and addressing the concept of common area maintenance fees.
The Committee inquired whether staff had discovered benefits to differing governance structures in its reviews of other airports. Mike Murray, Chief Administrative Officer, observed that other airports with similar governance as the Region’s are successful, though small in number. He elaborated that the various governance structures have pros and cons, and that staff would anticipate no significant benefit in recommending a change to the governance of the airport. The Committee discussed potential benefits to considering alternate governance structures, noting that it could provide an opportunity to promote the facility’s development through effective board recruitment from the business community. The Committee also considered what changes could be anticipated for the quality of governance, the degree of participation from the political sphere, and the potential to draw interest in the facility from other nearby communities. The Committee acknowledged the merit in examining potential changes to the airport’s governance.

The Committee questioned whether emergency services to the Airport were part of the program review. J. Hammer responded that emergency services were part of the program review, with no particular recommendations arising from the process; M. Murray observed that the recommendation to clarify reporting, roles and relationships touches on the matter. Chris Wood, Airport General Manager, provided additional detail to the Committee with regard to training provided to certain airport staff and additional responsibilities allocated to those staff.

The Committee ascertained from J. Hammer that the first response for fire emergencies comes from Woolwich Fire Department, owing to the airport’s location in the township. The Committee inquired as to whether it would be more appropriate to have first response to fire emergencies from full-time fire departments in Kitchener or Cambridge. J. Hammer noted that in previous discussions on the matter that there was agreement between the Woolwich and Cambridge fire departments that Woolwich is appropriately the first to respond to the airport. M. Murray suggested that staff could explore options for fire response with the Woolwich, Cambridge and Kitchener fire departments, which all invoke mutual aid when called upon. The Committee noted the jurisdictional issues in assigning fire response, and it was suggested that discussions for the Airport could be elevated to the Council tables at the area municipalities.

The Committee discussed the impact of the program review recommendations upon tenants and users, with J. Hammer observing that organizational changes will be transparent to tenants and airport users, and that tenants had been invited to be involved in the process of the review. C. Wood emphasized the impact of upcoming legislative changes with regard to security, and stressed the benefit of taking proactive measures to meet the anticipated changes. Thomas Schmidt, Commissioner, Transportation and Environmental Services, clarified how the legislative changes places more onus upon airport tenants, and D. Young observed that tenants are presently not actively engaged in such matters. The Committee observed that the wording of the report is unclear with regard to the security matters, and M. Murray responded that staff will email a clearer explanation to the Committee members in the near future.

MOVED by C. Zehr  
SECONDED by J. Wideman  

THAT the Audit Committee endorse the recommendations and proposed actions of the Region of Waterloo International Airport Program Review 2011-2012 as noted in Report CA-12-002/E-12-017 dated February 28, 2012, including the change of the one contract administrative position to a permanent position, all at a decrease of approximately $15,000 to the 2012 Airport operating budget.

CARRIED
PRESENTATION

a) Evan McDade and Jennifer Gruber, Deloitte, re: 2011 Audit Service Plan

E. McDade and J. Gruber presented in detail the 2011 Audit Services Plan, including:

- Audit scope, materiality and risks;
- Key elements to audit service plan, such as internal control matters and group audit;
- Deloitte responsible to report misstatements and fraud to Audit Committee;
- Risk-based audit approach, and strength of audit team;
- Areas of audit risk;
- Group audits and impacts on materiality;
- Communication requirements with anticipated timing; and
- Accounting standards for public organizations.

The Committee ascertained from E. McDade that Deloitte would undertake to investigate audit fraud if any were to be found, as well as communicating with the internal auditors to also examine any such situation.

The Committee questioned whether the audit scope would encompass examinations of transactions with external contractors and their consultants and subcontractors. E. McDade responded that Deloitte reviews internal controls in that regard, and J. Gruber observed that the audit process involves sampling and examination of such transactions. Calvin Barrett, Director, Financial Services/Development Financing, affirmed that the Region has established detailed processes for payments within its processes for accounts payable.

The Committee obtained clarification from E. McDade on the financial reporting of payments made in advance from federal or provincial governments.

The Committee ascertained from Angela Hinchberger, Acting Chief Financial Officer, that contaminated sites which are abandoned become the responsibility of the area municipality. E. McDade observed that the definition of a contaminated site requires that an environmental standard be established and that the site exceeds the established standard. The Committee discussed the treatment of contaminated sites on financial statements, with E. McDade noting the importance of determining legal liability for the site’s remediation.

REPORTS – Chief Administrative Officer

a) CA-12-001, 2011 Internal Audit Report

Received for information.

M. Murray provided an overview of the report and described the activity of the Region’s internal auditor staff and their planned future work. D. Young provided additional details on the activities of internal auditors, and highlighted certain activities planned for 2012. M. Murray noted the compliance audit carried out with respect to the Region’s purchasing by-law. The Committee flagged the timing of payments for contracts and prequalification as issues which may benefit from a more uniform approach.
OTHER BUSINESS

None.

NEXT MEETING – May 29, 2012

ADJOURN

MOVED by J. Wideman
SECONDED by S. Strickland

THAT the meeting adjourn at 3:50 p.m.

CARRIED

COMMITTEE CHAIR, T. Galloway
COMMITTEE CLERK, M. Grivicic