



REGIONAL MUNICIPALITY OF WATERLOO AUDIT COMMITTEE MINUTES

Wednesday, June 6, 2012
5:07 p.m.
Room 218
150 Frederick Street, Kitchener, Ontario

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

DECLARATIONS OF PECUNIARY INTEREST UNDER THE MUNICIPAL CONFLICT OF INTEREST ACT

None declared.

PRESENTATION

a) Presentation by Deloitte - Outline of 2011 audit results

Evan McDade and Jennifer Gruber, Deloitte, provided a presentation to the Committee on the 2011 audit results, including:

- Audit scope and findings;
- Materiality and reporting thresholds;
- Audit risks, with detailed commentary on examination of specific risks;
- Use of experts for information technology, commodity tax and actuarial matters;
- No difficulties encountered during audit, which was conducted in accordance with Canadian generally-accepted auditing standards;
- Representations made by staff, and testing of management judgments and estimates;
- Independence of auditor; and
- Anticipated release of clean audit opinion on June 27, 2012 upon Council approval of financial statements.

The Committee questioned E. McDade and J. Gruber on specific matters related to the audit results, including actuarially-determined liabilities, changes in tangible capital asset accounting, and details of the specific accounting standards used for the Region's operations.

*S. Strickland entered the meeting at 5:24 p.m.

REPORTS – Finance

a) F-12-040, Annual Financial Statements

Craig Dyer, Chief Financial Officer, presented the report and attached draft financial statements for the period ending December 31, 2011. He noted that the statements are scheduled to be finalized at the Council meeting of June 27, and that the statements will be available publicly.

C. Dyer highlighted various aspects of the financial statements, including:

- Revenues;
- Long-term debt and reserves;

- Deferred revenues; and
- Mortgages payable reduced to zero due to funding of housing projects from debentures.

C. Dyer observed that given his recent arrival at the Region it could be difficult to present the financial statements but that he derives confidence from the report of the external auditors as well as the quality of the financial statements, which have benefitted from improvements to the year-end process.

The Committee requested that staff include more information on the \$22.8 million line item "Other" for the Region's revenues. Calvin Barrett, Director, Financial Services/Development Financing, observed that the figure is lower than in the previous year, and that a breakdown of the figure will be provided.

The Committee ascertained from C. Barrett that the increase in accumulated sick leave liabilities arises from certain staff earning the benefit until their retirement as a result of being grandfathered when the Region shifted its policies relating to payout of accumulated sick leave. The Committee considered whether any commentary should be included in the financial statements to demonstrate that the Region is taking action to limit sick leave payouts, and C. Dyer expressed that including such commentary would not be advisable, citing the terminology use which expresses that the benefit is not universal to Regional staff. Staff will examine options to help clarify its sick leave policies and liabilities in the financial statements.

The Committee obtained clarification from staff on a variety of figures and line items in the financial statements, including the operating surplus, employee future benefits, amortization, and appropriations to revenue.

The Committee considered the merits of presenting an adapted version of the financial statements for public consumption. C. Dyer responded that staff are examining ways to better tell the Region's financial story and to communicate value-for-services to residents, while C. Barrett asserted that the form of the financial statements are largely prescribed and are required by the *Municipal Act* to be posted. The Committee suggested that some form of schedule could be made for public consumption which deals with the Region's surplus and its origins.

The Committee heard details about the publication of the annual reports from C. Barrett, and the management commentary included in the annual report. The Committee emphasized the importance of providing financial data in a simplified form, and Mike Murray, Chief Administrative Officer, affirmed that view and adding that more needs to be done to relate value for money for Regional services.

MOVED by C. Zehr
SECONDED by S. Strickland

THAT the Consolidated Financial Statements for the Regional Municipality of Waterloo for the fiscal year ending December 31, 2011 be approved.

CARRIED

MOTION TO GO INTO CLOSED SESSION

MOVED by K. Seiling
SECONDED by J. Wideman

That a closed meeting of Audit Committee be held on June 6, 2012 during open session of Audit Committee in Room 218 at 150 Frederick Street in accordance with Section 239 of the *Municipal Act*, 2001, for the purposes of considering the following subject matters:

- a) the security of the property of the municipality
- b) personal matters about an identifiable individual, including municipal employees

CARRIED

MOTION TO RECONVENE INTO OPEN SESSION

MOVED by C. Zehr

SECONDED by J. Wideman

THAT the meeting reconvene into Open Session.

CARRIED

REPORTS – Chief Administrative Officer

- a) CA-12-006/P-12-053, Rent Supplement Program Review 2011-2012

M. Murray provided an overview of the program review process, highlighting the goals for all reviews: efficiency, effectiveness, and management of risks and compliance.

David A. Young, Manager, Internal Audit, provided the Committee with the results of the program review, with the efficiency and effectiveness of the program demonstrating that it is operating reasonably well. Staff was able to obtain feedback from tenants and landlords, and areas for improvement have been identified including the use of existing technology to achieve efficiencies.

Deborah Schlichter, Director, Housing, expressed that staff consider the recommendations arising from the program review to be very reasonable, and can manage the proposed changes from within the existing budget.

The Committee noted the tone of the language for some of the action items to address to recommendations could be made stronger so as to be more prescriptive. M. Murray agreed and noted that some actions will require staff to work with stakeholders to achieve the desired changes.

The Committee clarified with D. Schlichter that the Region deals with a wide variety of landlords and that some landlords' business processes do not include the use of electronic funds transfer. C. Dyer observed that staff expects to examine the accounts payable process over the summer with the aim of increasing the number of vendors received payment electronically.

The Committee ascertained from D. Schlichter that the recommendations from the program review mostly affect the relationship between staff and landlords, as well as internal operations. She emphasized that consultation would be sought where the recommendations have an impact on tenants.

The Committee obtained clarification regarding the recommendation to shift the current wait list policy where applicant selection is made by individual building, to selection at the district level. The rent supplement program follows the same wait list policies for all community housing. Consultations are currently underway with housing providers and service organizations to

review policies in light of the new *Housing Services Act*, and this will be the opportunity to discuss potential changes to wait list policies

The Committee questioned whether there has been any issue with the uptake of rent supplement units, and D. Schlichter responded that uptake has been good. She observed that as housing units change hands, the Region's relationship with new landlords is continuously restarted. She also described the management of the surplus for the housing program and its role in managing the program's finances in the wake of changes to federal funding.

MOVED by J. Wideman
SECONDED by C. Zehr

THAT the Audit Committee endorse the recommendations and proposed actions of the Rent Supplement Program Review 2011-2012 as noted in Report CA-12-006/P-12-053 dated June 6, 2012.

CARRIED

The Committee directed staff to strengthen the wording of the program review's recommendations, where appropriate, to best reflect the nature of the prescribed improvements.

The Committee thanked staff for their report and expressed satisfaction at the proposed improvements. M. Murray indicated that D. Young will examine common recommendations from the program reviews to date and circulate that list to management within the Regional organization to allow proactive changes in those common areas. He also compared the merits of the Region's deep approach to program review with doing reviews of a whole organization.

OTHER BUSINESS

D. Young noted that the next program review would examine the Region's cultural sites and would commence in Fall 2012.

NEXT MEETING – to be announced

ADJOURN

MOVED by K. Seiling
SECONDED by J. Wideman

THAT the meeting adjourn at 6:32 p.m.

CARRIED

COMMITTEE CHAIR, *T. Galloway*

COMMITTEE CLERK, *M. Grivicic*