



# REGIONAL MUNICIPALITY OF WATERLOO AUDIT COMMITTEE MINUTES

Monday, February 14, 2011  
3:36 p.m.  
Room 218  
150 Frederick Street, Kitchener, Ontario

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Present were: Chair T. Galloway, \*K. Seiling, and C. Zehr

Members absent: S. Strickland, J. Wideman

## DECLARATIONS OF PECUNIARY INTEREST UNDER THE MUNICIPAL CONFLICT OF INTEREST ACT

None declared.

## PRESENTATION

a) Evan McDade and Heather Urie, Deloitte re: 2010 Audit Plan

E. McDade and H. Urie provided the Committee with an overview of the Region's audit service plan, noting items of particular relevance to the 2010 audit, including:

- Changes in assurance standards according to new Canadian Auditing Standards;
- Explanation of impacts of new standards, and reporting differences;
- Explanation of auditor's required reporting to Audit Committee with respect to correction of misstatements;
- Audit scope, including materiality guidelines;
- Consideration of the risk of fraud;
- Areas of audit risk, with descriptions of issues, risk, and audit responses;
- Timing and communication plan for Region's audit service, with fees;
- Disclosure of significant communication between external auditor and management; and
- Declaration of Deloitte's independence from the Region.

E. McDade provided the Committee with a copy of the audit service plan as well as a letter stating Deloitte's independence from the Region; both are attached to the original minutes.

E. McDade clarified for the Committee that the Region's audit will account for changed standards, particularly at it relates to CAS 540. He also noted the conditions of concurrence on financial statements which are required for approval of the statements.

The Committee observed the \$14.7 million threshold amount for materiality to the Region's audit, and that transactions above 5% of that figure are considered to be meriting additional attention from the auditors. E. McDade affirmed that the latter amount is considered an internal standard at Deloitte, which is generally accepted in Canada.

\*K. Seiling left the meeting at 4:00 p.m.

E. McDade solicited members of the Committee for issues of interest for the Region's audit, and emphasized that any such issues can be brought forward to the auditors at the convenience of Committee members.

The Committee discussed audit testing for various forms of receivables, as well as reporting on reserve funds transactions and balances.

The Committee confirmed with E. McDade that reporting of communications between the external auditor and management does not compromise the independence of the auditor, and is a new disclosure that is required for the audit process.

Larry Ryan, Chief Financial Officer, indicated that the Region is in the last year of its contract with Deloitte for audit services, and that a request for proposal for audit services will be going out in 2011. E. McDade confirmed that audit services related to the Waterloo Regional Police Service are included in the auditor's basic fees, and that the audit for police examines the financial statements without attention to items that would not have a material impact on the audit, such as misappropriation of seized property; he indicated that Deloitte works with internal auditors in examining the potential for such risks. Calvin Barrett, Director, Financial Services/Development Finance, noted that it would be a special situation to have Deloitte engaged in such an examination.

\*K. Seiling re-entered the meeting at 4:08 p.m.

## **REPORTS – Chief Administrative Officer**

a) CA-11-002 2010 Internal Audit Report

Received for Information.

Mike Murray, Chief Administrative Officer, introduced David A. Young, Manager, Internal Audit, and provided a broad overview of the report.

D. Young provided a synopsis of the report, listing the extensive range of activities undertaken by the internal auditor, including compliance audits, control consultations, and program reviews. He provided detail on the activities related to program audits previously undertaken and indicated that reviews of the airport and rent supplement program will occur in 2011. He explained the application of enterprise risk management to form a risk based framework for internal audits.

M. Murray observed that staff aims to conduct two program reviews per year, and that program reviews often engage outside consultants in their execution. He estimated the total budget for internal audit to be approximately \$300,000 annually. The Committee ascertained the educational and professional backgrounds of internal audit staff.

M. Murray clarified for the Committee that the goals of the internal audit and program review function includes assurance of value for money, but more broadly addresses the efficiency, effectiveness and compliance of Regional activities and programs.

The Committee asked how budget discussions and comments received from Council impact the selection of programs for reviews. M. Murray indicated that those factors are accounted for, as well as discussions among the Corporate Leadership Team as informed by the internal auditors; clients and users of Regional programs under review are also engaged during the process.

The Committee inquired as to the potential benefit of liaising with internal audit staff from other municipalities. D. Young described his experience and impressions of meetings with staff at the Region of Peel and the benefit of implementing the systems in place there. M. Murray noted that department heads are engaged with colleagues at other municipalities, and Penny Smiley, Commissioner, Human Resources, noted that the Municipal Internal Auditors Association could be a potential facilitator for internal audit staff.

### **OTHER BUSINESS**

- a) Council Enquiries and Requests for Information Tracking Sheet was received for information.

### **NEXT MEETING – to be announced**

### **ADJOURN**

MOVED by C. Zehr  
SECONDED by K. Seiling

THAT the meeting adjourn at 4:30 p.m.

CARRIED

**COMMITTEE CHAIR, *T. Galloway***

**COMMITTEE CLERK, *M. Grivicic***