



**AUDIT & FINANCE STANDING COMMITTEE
MINUTES
June 15, 2016**

PRESENT: Councillor Linda Mosher, Chair
Councillor Bill Karsten, Vice Chair
Councillor Barry Dalrymple
Councillor Gloria McCluskey
Councillor Steve Craig

REGRETS: Councillor Reg Rankin
Mayor Mike Savage

GUEST: Councillor David Hendsbee

STAFF: Ms. Amanda Whitewood, Chief Financial Officer
Ms. Karen Brown, Acting Municipal Solicitor
Mr. Liam MacSween, Legislative Assistant

The following does not represent a verbatim record of the proceedings of this meeting.

The agenda, supporting documents, and information items circulated to the Audit & Finance Standing Committee: <http://www.halifax.ca/boardscom/SCfinance/160615afsc-agenda.php>

The meeting was called to order at 10:00 a.m. and adjourned at 10:47 p.m.

1. CALL TO ORDER

The Chair called the meeting to order in Halifax Hall, 3rd Floor City Hall, 1841 Argyle Street, Halifax.

2. APPROVAL OF MINUTES – NONE

3. APPROVAL OF THE ORDER OF BUSINESS AND APPROVAL OF ADDITIONS AND DELETIONS

Additions: None

MOVED by Councillor McCluskey, seconded by Councillor Karsten

THAT the agenda be approved as amended.

Two-third majority vote required.

MOTION PUT AND PASSED.

4. BUSINESS ARISING OUT OF THE MINUTES

5. CALL FOR DECLARATION OF CONFLICT OF INTERESTS

6. MOTIONS OF RECONSIDERATION – NONE

7. MOTIONS OF RESCISSION – NONE

8. CONSIDERATION OF DEFERRED BUSINESS – NONE

9. NOTICES OF TABLED MATTERS – NONE

10. CORRESPONDENCE, PETITIONS & DELEGATIONS – NONE

11. INFORMATION ITEMS BROUGHT FORWARD – NONE

12. REPORTS

12.1 STAFF

12.1.1 Award RFP 15-190 HRP Facility Replacement Business Case

The following was before the committee:

- *A staff recommendation report dated April 4, 2016*

MOVED by Councillor McCluskey, seconded by Councillor Karsten

THAT That the Audit & Finance Standing Committee recommend that Halifax Regional Council:

- 1. Award RFP P15-190 HRP Facility Replacement Business Case to the highest-scoring proponent, Rebanks, Pepper and Littlewood Architects Ltd. for a total cost of \$ 202,106 (net HST included);**

2. **Approve an unbudgeted withdrawal in the amount of \$202,106 from the Potential Strategic Project Reserve, Q126, as outlined in the Financial Implications section of the staff report dated April 4, 2016.**

MOTION PUT AND PASSED.

12.1.2 Fourth Quarter Financial Report

The following was before the committee:

- *A staff recommendation report dated May 30, 2016*

MOVED by Councillor McCluskey, seconded by Councillor Karsten

THAT the Audit & Finance Standing Committee forward the Fourth Quarter 2015/16 Financial Report dated May 30, 2016 to Regional Council for their information.

MOTION PUT AND PASSED.

Councillor Craig joined the meeting at 10:09 a.m.

12.1.3 Year End Financial Statements

The following was before the committee:

- *A staff recommendation report dated June 8, 2016*
- *A staff presentation dated June 15, 2016*

MOVED by Councillor Karsten, seconded by Councillor McCluskey

THAT the Audit and Finance Standing Committee forward the following to Halifax Regional Council for their approval:

- 1) **The financial statements of the Halifax Regional Municipality Miscellaneous Trust Funds for the year ended March 31, 2016;**
- 2) **The Consolidated Financial Statements of the Halifax Regional Municipality for the year ended March 31, 2016;**
- 3) **The Statement of General Rate Surplus of the Halifax Regional Municipality for the year ended March 31, 2016; and,**
4. **Transfers of \$5,430,627, as outlined below, to reduce the general rate surplus to zero:**
 - o **Capital Project CTU00530, Mount Hope Interchange \$4,234,678**
 - o **Police Officer On the Job Injury reserve, Q323 \$ 50,000**
 - o **Capital Surplus reserve, Q103 \$ 214,000**
 - o **Operating Surplus reserve, Q328 \$ 931,949**
5. **The appointment of KPMG to be the External Auditors for the fiscal year ending March 31, 2017.**

In response to a follow up question, Mr. Louis De Montbrun, Manager of Financial Reporting advised that Regional Council needs to approve the use of reserve funding via a motion.

In response to a follow up question, Ms. Amanda Whitewood, Chief Financial Officer advised that Council received a report on debt financing through the use of the surplus which was considered and approved by

Council. She further noted that Council's direction on the matter is contained in the recommendation of the report.

In response to additional questions from the committee, Mr. De Montbrun noted that the amortization reporting for roadways are outlined under the Tangible Capital Asset policy. He advised that the actual conditions and maintenance of the road ways are captured under the Enterprise Asset Management system which is overseen by the Business Units.

In response to a question from the Committee, Ms. Cathie O'Toole, Chief Financial Officer, Halifax Water commented that the accounting standards for government business enterprises have changed to the International Financial Reporting Standards approximately five years ago. She advised that rate regulation agencies like Halifax Water, had the ability to defer the accounting treatment pending ongoing discussions regarding financial reporting standards for utilities. She advised that this year, Halifax Water was required to convert to the new reporting standards to ensure regulatory compliance. She provided further information with respect to the reporting standards and advised that the change in standards does not impact rate payers or the net income reported by Halifax Water.

In response to a follow up question, Ms. O'Toole advised that if a rate payer lives in an area with waste water, water and storm water services they can expect to see a charge on their bill. She further commented that water service charges are found within the operating statements for the municipality.

Mr. Carey Blair, Senior Partner with KPMG provided an overview of the Audit Finding Report and provided commentary on the following:

- KPMG has completed the bulk of the audit with the exception of the component Audit for Halifax Water. He commented that this is anticipated to be completed in the very near future.
- There are no significant risks to be reported as a result of the audit work that has been completed.
- There is nothing to be reported as a result of the audit work in relation to accounting procedures, fraud, or management override.
- Acknowledgment of the change in accounting standards for Halifax Water and that KPMG are in general agreement with respect to the component audit work completed at this point. He advised that KPMG is awaiting the final report to be submitted on that matter.
- There are no corrected or uncorrected misstatements as a result of the Audit.

In response to a question, Mr. Blair advised that the materiality threshold of \$600,000 is slightly higher than it has been in previous years based on increased revenues.

Mr. De Montbrun noted that the committee has the opportunity to speak with the Auditor's without staff present in the Chamber during a private session if the committee feels that it is required.

The Committee agreed by consensus to waive the opportunity to speak with the Auditor's without staff present.

MOTION PUT AND PASSED.

12.1.4 Change to Capital Funding Allocation for Saint Margaret's Bay Area Rails to Trails Association

The following was before the committee:

- *A staff recommendation report dated May 31, 2016*

MOVED by Councillor Karsten, seconded by Councillor Dalrymple

THAT the Audit and Finance Committee recommend that Regional Council change the designation of capital funding to be provided to the St. Margaret's Bay Area Rails to Trails Association (SMBARTA) from "planning" to "recapitalization"

MOTION PUT AND PASSED.

12.1.5 Dartmouth Heritage Museum Society – Funding Source

The following was before the Committee:

- *A staff recommendation report dated May 30, 2016*

MOVED by Councillor McCluskey, seconded by Councillor Karsten

THAT the Audit & Finance Standing Committee recommend that Regional Council approve an additional \$50,000 in funding for Dartmouth Heritage Museum Society for the 16/17 fiscal year funded from the Operating Surplus Reserve, Q328.

MOTION PUT AND PASSED.

12.2 OFFICE OF THE AUDITOR GENERAL – NONE

12.3 INVESTMENT POLICY ADVISORY COMMITTEE – NONE

12.4 GRANT COMMITTEE – NONE

12.5 SPECIAL EVENTS ADVISORY COMMITTEE – NONE

12.6 MEMBERS OF THE AUDIT & FINANCE STANDING COMMITTEE – NONE

13. MOTIONS – NONE

14. IN CAMERA (IN PRIVATE) – NONE

15. ADDED ITEMS – NONE

16. NOTICES OF MOTION – NONE

17. PUBLIC PARTICIPATION

18. DATE OF NEXT MEETING – July 20, 2016

19. ADJOURNMENT

The meeting adjourned at 10:47 p.m.

Liam MacSween
Legislative Assistant