



**AUDIT & FINANCE STANDING COMMITTEE
MINUTES
March 27, 2015**

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

REGRETS: Councillor Reg Rankin

STAFF: Mr. Louis de Montbrun, Manager of Financial Reporting
Mr. Richard Butts, Chief Administrative Officer
Mr. John Traves, 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 Audit & Finance Standing Committee are available online: <http://www.halifax.ca/boardscom/SCfinance/150327afsc-agenda.php>

The meeting was called to order at 10:04 a.m. and adjourned at 10:45 a.m.

1. CALL TO ORDER

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

2. APPROVAL OF MINUTES – February 20, 2014

MOVED by Councillor McCluskey, seconded by Councillor Mosher that the minutes of February 20, 2015 be approved as presented.

MOTION PUT AND PASSED.

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

Additions:

Item No. 12. – Budget Increase – CEO020001 – Police Services Replacement Equipment

Councillor Craig inquired if there is an opportunity to discuss the Audit of the Consolidated Financial Statements of HRM (Item No. 9.1.1) during an in Camera session if it is required.

Mr. Louis De Montbrun, Manager of Financial Reporting, commented that representatives from KPMG were present to provide an overview of the Planning Report for the Consolidated Financial Statements. He advised that the report that is before the committee outlines the planning phase for the Audit and noted that representatives from KPMG will be back before the committee to present the results in June. He advised that staff is always prepared to leave the room if there are questions or concerns that the committee wishes to pose to the Auditors in relation to the Consolidated Financial Statements.

The Audit & Finance Standing Committee prepared to vote on the proposed addition to the agenda, a two- third majority vote was required for the amendment to the approval of the Order of Business.

MOVED by Mayor Savage, seconded by Councillor McCluskey that the agenda be approved as amended.

MOTION TO AMEND PUT AND PASSED.

4. BUSINESS ARISING OUT OF THE MINUTES

5. MOTIONS OF RECONSIDERATION – NONE

6. MOTIONS OF RESCISSION – NONE

7. CONSIDERATION OF DEFERRED BUSINESS – NONE

8. CORRESPONDENCE, PETITIONS & DELEGATIONS – NONE

9. REPORTS

9.1 STAFF

9.1.1 Audit of the Consolidated Financial Statements of HRM

The following was before the Standing Committee:

- *A staff recommendation report dated March 10, 2015*

Mr. Carrey Blair, Partner with KPMG provided a presentation with respect to the planning report and proposed framework of the Audited Consolidated Financial Statements of HRM.

Mr. Blair advised of new accounting standards such as consideration for assets that are not in productive use as well as the consideration of new environmental standards which comprise the new reporting process. He advised that KPMG is engaged with HRM administration to ensure that a processes and controls are adopted in this regard.

Mr. Blair gave an overview of the audit timetable and noted that KPMG's professional standards require that questions be asked of the Audit & Finance Standing Committee respecting fraud, and how oversight by the committee is demonstrated in relation to potential instances of fraud. He stated that these questions should be considered by the committee over the course of the audit and communicated to the Auditors if required.

Mr. Blair provided further commentary with respect to materiality and noted that KPMG has not changed its approach to how materiality for the organization is formulated since the last audit was completed. He further noted that the audit will address specific risks associated with significant accounts. He noted that risk management will be evaluated from a statement of operations point of view and advised that revenue from property taxes, payroll expenditures, account payables, longer term debt, and cash flow will be evaluated in this regard.

Mr. Blair commented that the audit will take in to consideration the function of Management Override with respect to certain projects to ensure that proper procedures are in place to mitigate risk. He further stated that the audit will also include procedures for external boards and commissions which operate recreation facilities on behalf of the municipality.

Mr. Blair concluded his presentation by providing an overview of the timetable associated with the audit and the pre-negotiated fee which is associated with the work. He remarked that the full audit is expected to be completed by June 2015.

Councillor Karsten thanked Mr. Blair for his overview and requested questions of clarification from members of the committee.

Councillor Mosher requested further information in identifying the risk associated with environmentally contaminated properties.

Mr. Blair commented that the standard has specific guidelines to determine if a site becomes a liability. He advised that a liability would be recognized in the financial statements if the conditions of the standard are met.

Councillor Craig stated his belief that an audit of the financial statements for the municipality is the one of the most important tasks that can be undertaken on behalf of residents. He requested further information with respect to the size of the team working on the audit.

Mr. Blair noted that he is a partner with KPMG and advised that the team consists of two managers and five staff members.

Councillor Craig requested further information with respect to the reporting process on productive assets. Mr. Blair noted that the determination for productive assets outlines whether or not an asset is used for a productive or intended purpose. He further advised that non-productive assets could be characterised as surplus property, vacant or unused land.

Councillor Craig expressed his view on risk management and noted that there is always the possibility of collusion or fraud in an organization that is as large as HRM. He advised that strong controls need to be

put in place to address this reality. Councillor Craig requested further information with respect to managing business risk related to Information Technology.

Mr. Blair commented that there are trends within Municipal government as well as the not for profit sector to note the sophistication of technology and the importance of the role of the Chief Information Officer.

Councillor McCluskey inquired as to how the risks associated with potential natural gas leaks are determined. Mr. Blair responded by noting that from an Auditor's perspective, it is historical examination to determine potential liabilities in consultation with Legal Services.

MOVED by Councillor McCluskey, seconded by Mayor Savage that the Audit & Finance Standing Committee approve the attached planning report dated March 10, 2015 for the Audit of HRM's consolidated financial statements as prepared by KPMG.

MOTION PUT AND PASSED.

9.1.2 Operating Costs of New Capital Reserve Account Q320 Closure

The following was before the Standing Committee:

- *A staff recommendation report dated March 13, 2015*

MOVED by Councillor McCluskey, seconded by Councillor Dalrymple that the Audit & Finance Standing Committee recommend that Halifax Regional Council close the Reserve Account Q320 – Operating Costs of New Capital as outlined in the staff report dated March 13, 2015.

MOTION PUT AND PASSED.

9.2 OFFICE OF THE AUDITOR GENERAL – NONE

9.3 INVESTMENT POLICY ADVISORY COMMITTEE – NONE

9.4 SPECIAL EVENTS ADVISORY COMMITTEE – NONE

9.5 GRANTS COMMITTEE – NONE

10. MOTIONS

10.1 Councillor Mosher

MOVED by Councillor Mosher, seconded by Councillor McCluskey that the Audit and Finance Standing Committee recommend that Halifax Regional Council request a staff report assessing the establishment of a Risk Management Office for the Halifax Regional Municipality.

Councillor Mosher noted that she had reviewed a great deal of Auditor General's reports which address the subject of risk management and stated her opinion that the municipality needs to do more to manage risk, particularly on large capital projects and expenditures. She advised of the Auditor General's recommendation to evaluate the feasibility of a risk management office for the municipality. She provided commentary respecting the recent Washmill Lake report provided by the Auditor General and noted that had there been a stronger emphasis on risk management at the time, the financial losses associated with the project would likely not have been as significant. She requested that her colleagues support the recommendation for a staff report to examine the matter.

Councillor Craig noted his support for the report request and stated that an evaluation should take place regarding a role within the organization to ensure that risk is being managed appropriately. He advised that there are inherent risks in all decisions made by Regional Council and noted that staff may determine

that a new office or position is not required but rather the expansion of an existing role or external options related to the management of Risk.

Mayor Savage agreed with Councillor Craig's comments and reiterated his point that risk is inherent in all the decisions made by Council. He noted that he would not support rushing into creating another office or position within HRM administration without exploring other external, or private sector opportunities to assist in managing risk. He noted that Council needs to be careful to ensure that risk is managed in the most cost effective manner. He noted his intention to support the recommendation for a staff report and advised that a discussion on the matter is warranted. He concluded by inquiring of the Solicitor if the direction provided within the motion is too prescriptive in terms of providing direction to the Chief Administrative Officer to potentially establish another office.

Mr. John Traves, Municipal Solicitor commented that any report that comes back to Council would be reflective of HRM's Charter requirements in relation to the Chief Administrative Officer. He advised that the Chief Administrative Officer is the head of HRM's administration and is subject to guidance of Council. He advised that the proposal that will come forward as a result of the report would be reflective of that particular mandate.

MOTION PUT AND PASSED.

11. IN CAMERA

11.1 Approval of In Camera Minutes – February 20, 2015

The following motion was passed in public session:

MOVED by Mayor Savage, seconded by Councillor McCluskey that the Audit & Finance Standing Committee approve the In Camera minutes of February 20, 2015 as circulated.

MOTION PUT AND PASSED.

11.2 Personnel Matter

11.2.1 Citizen Nomination to the Grant Committee

The Audit & Finance Standing Committee passed the following motion in public session.

MOVED by Mayor Savage, seconded by Councillor McCluskey that the Audit & Finance Standing Committee proceed to nominate one (1) citizen to the Grant Committee to fill an unexpired term to November 30, 2015.

12. ADDED ITEMS

12.1 Budget Increase – CEO020001 – Police Services Replacement Equipment

The following was before the Standing Committee:

- *A staff recommendation report dated March 13, 2015*

MOVED by Councillor Mosher, seconded by Councillor McCluskey that the Audit and Finance Standing Committee recommend that Halifax Regional Council approve an increase to new Project Account CE020001 - Police Services Replacement Equipment in the amount of \$671,200 with funding from approved Halifax Regional Police (HRP) 2014/15 Operating budget with no net change to the Project Budget as identified in the Financial Implications section of the staff report dated March 13, 2015.

MOTION PUT AND PASSED.

13. **NOTICES OF MOTION – NONE**
14. **DATE OF NEXT MEETING – April 15, 2015**
15. **ADJOURNMENT**

The meeting adjourned at 10:45 a.m.

Liam MacSween
Legislative Assistant

INFORMATION ITEMS

1. Memorandum from the Legislative Assistant dated March 18, 2015 re: Requests for Presentations – None