



Minutes

Audit Committee Meeting

Minutes of the Meeting of Audit Committee

Date: Tuesday, March 10, 2015

Time: 5:00 pm.

Location: Room 1A, 40 Sheppard Avenue, North York, Toronto, ON, M2N 6K9

Audit Committee Members:

Thomas Chong, M.Sc., P.Eng., FEC, PMP
Ishwar Bhatia, P.Eng.
Santosh Gupta, P.Eng., FEC
Bill Kossta
Changiz Sadr, P.Eng., FEC
Ewald Kuczera, M.Sc., P.Eng.

Staff: Gerard McDonald, P.Eng., Registrar
Michael Price, MBA, P.Eng., Deputy Registrar Licensing and Finance
Maria Cellucci, CPA, CA, Controller
Lucy Capriotti, Administrative Assistant

Visitor: Steve Stewart - Deloitte

Regrets: Dave Adams, P.Eng., President
Danny Chui, P.Eng., FEC

1. Approval of Agenda

A motion to approve the agenda was passed by the members.

MOTION

That the agenda as presented be approved.

Moved by E. Kuczera and seconded by D. Chui

MOTION CARRIED

2. Approval of Minutes from November 26, 2014

That the Minutes be approved as presented.

MOTION

The Minutes were approved, moved by I. Bhatia and seconded by D. Chui.

MOTION CARRIED

3. Matters Arising from the Minutes

No other matters were brought up.

4. Report on Audit of PEO (presented by S. Stewart)

Executive Summary - Deloitte have completed the audit of the Financial Statements and only a few outstanding items remain.

Status of our audit – opinion date will be March 27, 2015 which is the date Council will approve the statements.

Internal Control – There were no significant deficiencies found.

Fraud and illegal acts – There was nothing fraudulent or illegal found during the audit.

Significant accounting policies – The accounting principles applied in these financial statements are consistent with last year's except for accounting for employee future benefits. There is a new accounting standard in the CICA Handbook which became effective for the 2014 year and the application of the new standard has been reflected in the financial statements.

Management judgment and accounting estimates – The auditors review areas where management uses judgment and where accounting estimates are made, to determine their reasonability. Examples include, year-end accounts payable accruals and employee future benefit liability assumptions. Deloitte are satisfied with management's estimates.

Audit adjustments and uncorrected misstatements – there was one item that was found during the audit which required an adjustment by management. This adjustment had no Income Statement impact, it was a Balance Sheet reclassification.

Independence – Deloitte confirmed that they are independent of PEO and therefore able to provide PEO with an audit opinion (letter in Appendix C).

Representation letter – The management representation letter should be dated March 27, 2015 and will require that management sign and return it on or after March 27, 2015 (Appendix D).

Conclusion – Deloitte will be sending out an unmodified Independent Auditor's Report on the financial statements once the outstanding items referred to above are satisfactorily completed and the financial statements are approved by Council.

HIGHLIGHTS

S. Stewart provided a summary of the Audit scope and findings. He indicated the following key highlights:

Changes to the audit plan – there were no procedures done on Aptify as the conversion was not completed in 2014 and no reliance was placed on the new system.

Use of the work of experts – Deloitte relies on Buck Consultants to prepare the calculation for the liability for employee future benefits. Deloitte's responsibility is to make sure the data and assumptions provided to the actuary has been audited and new accounting requirements and disclosures have been met.

Legal and regulatory compliance - there were no issues

Audit risks – everything was satisfactory

Management override of controls - everything was satisfactory

Employee Future Benefits - the new accounting standards for employee future benefits requires that an organization no longer defer and amortize the actuarial gains or losses resulting from the yearly accounting valuation of PEO pension plans, these gains or losses have to be recognized annually. Under the not for profit standard rules new section 3463, these actuarial gains or losses are not recognized through the Statement of Revenue and Expenses instead they flow directly through net assets on the Balance Sheet.

M. Price discussed the Statement of Revenue and Expenses in detail and answered any questions committee members had.

IN CAMERA SESSION WITH AUDITOR

5. Review and approval of 2014 Audited Financial Statements

The 2014 Audited Financial Statements were discussed in detail.

MOTION

Recommend to Council the approval of the audited financial statements for the year ending December 31, 2014 and the auditor's report thereon.

Moved by I. Bhatia and seconded by E. Kuczera

MOTION CARRIED

6. Recommendation of Auditor for 2015

MOTION

Recommend to Council to recommend to members of the April 2015 Annual General Meeting the appointment of Deloitte as PEO's auditors for 2015 to hold office until the next annual meeting or until their successor is appointed.

Moved by S. Gupta and seconded by E. Kuczera

MOTION CARRIED

7. Revise Audit Committee Terms of Reference and Work Plan

E. Kuczera suggested changing item 3. In the first block Legislated and other Mandate approved by Council to read; "to monitor and recommend to Council any revisions to the Accounting and Financial reporting policies, processes and Systems of Internal Control."

Extract under [Qualification and election of the Chair] put this under the item [Key Duties and Responsibilities].

C. Sadr refers to Constituency, Number & Qualifications of Committee/Task Force Members - the comment block referring to ONE, this should read All of the committee members will be appointed to Council and serve for one year.

G. McDonald made a minor point on Qualifications and election of the Chair – The first sentence needs to read The Audit Committee will elect its own Chair yearly with a two year consecutive term limit, subject to approval by Council.

Under block Term Limits for Committee members – it was discussed whether to leave in five consecutive years. It was agreed to leave in five consecutive years and remove the second sentence.

S. Stewart recommended to change under Legislated and other Mandate approved by Council number 1. should read; to oversee the external audits of the association's financial statements, the statement of the pension fund and the statement of Common Area Maintenance costs by the independent auditor.

Under the second block [Key Duties and Responsibilities] a) add after annual financial statements; "Pension Fund and the statement of Common Area Maintenance costs".

Work Plan will be discussed at the next Audit Committee meeting.

MOTION

The Terms of Reference were approved as amended and will then be forwarded to the ACV for approval.

Moved by C. Sadr and seconded by I. Bhatia

MOTION CARRIED

8. Other Business

E. Kuczera asked if there would be another meeting of this committee to discuss any revisions made to the policy of Volunteer Expenses. M. Price and M. Cellucci will be looking at the list and decide if there is a reason to call a meeting or to defer it to the new committee.

9. Date of Next Meeting

To be determined.

10. Adjournment

The committee agreed to adjourn the meeting at 6:50 p.m. and a motion was passed to that effect.

MOTION

That meeting be adjourned.

Moved by C. Sadr and seconded by I. Bhatia.

MOTION CARRIED