



Minutes

Audit Committee Meeting

Minutes of the Meeting of Audit Committee

Date: Wednesday, November 26, 2014

Time: 4:00 pm.

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

Audit Committee Members:

Dave Adams, P.Eng., President
Thomas Chong, M.Sc., P.Eng., FEC, PMP
Ishwar Bhatia, P.Eng.
Bill Kossta
Changiz Sadr, P.Eng., FEC (via conference)
Ewald Kuczera, M.Sc., P.Eng.
Danny Chui, P.Eng.

Staff: Gerard McDonald, P.Eng., CEO/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: Santosh Gupta, 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 June 18, 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. Presentation of the 2014 year-end plan by Deloitte (Steve Stewart)

S. Stewart talked about the roles in the audit. Management of PEO is responsible for preparing financial statements, establishing the accounting policies that the organization follows and ensuring the internal controls that are in place are appropriate. The auditor's job is to audit financial statements to confirm they are not materially misstated. Deloitte is engaged by PEO to do three separate audits.

- 1) Audit of the main financial statements
- 2) engaged to perform the audit of the fund of the pension plan for the employees of PEO
- 3) CAM (common area maintenance) audit

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Accrued Liabilities – S. Stewart talked about management estimates – ie. accruals for potential legal actions, management would determine what the number would be ie. wrongful dismissal. S. Stewart would know this by looking at the Financial Statements.

Investments – Ensure the investments are properly valued and recorded.

Employee future benefits – represents a significant liability for PEO. S. Stewart advised the committee that there has been a change in accounting standards as it relates to employee future benefits. There will be no effect in the P&L in the result of this change but what you will see when looking at the statements this year if comparing them to last year your liability for future benefits will be higher and your total net asset position will be lower.

Implementation of a new License Holder Management system - S. Stewart discussed that they will test the costs to ensure that the costs have been properly recorded. They will be recorded as an asset and they will be amortized. They will make sure the system we have has adequate controls in place, that the implementation of the software was appropriate and properly controlled. S. Stewart discussed that he will have experts who will confirm that the data on an audit basis, that the data from old system to new system went in properly and that there were proper controls put in place when the system was set up and going forward there is controls in place to make sure the system is doing what the system is supposed to do. This has to be done in order to be able to apply on the financial statements this year.

T. Chong asked about data conversion and data migration, S. Stewart discussed this will be tested to make sure the process was properly controlled and on a test basis that the data was properly uploaded into the new system.

Revenue, deferred revenue/contributions – Ensure balances are correctly recorded. Some additional testing will take place.

Management override of controls – we must assume there is a risk that management overrides the control system. S. Stewart will be asking for a list of all journal entries that were posted during the year then profile this data, all the detail and back-up will be looked at. They will make sure all the policies and procedures in place were followed.

T. Chong asked about the implementation of the new license holder management system, he would like to have this interface included so ensure it works.

M. Price brought up a question that T. Chong had requested in an earlier email which is that he would like the auditor for the possibility for streamlining the financial statement items reported in the audit. S. Stewart advised that they are our financial statements as long as our disclosures are compliant with general accepted accounting principles for not for profit organization we can do what we want.

4. Audit Committee Terms of Reference and Work Plan

The Terms of Reference and Work Plan need to be updated and be sent to the committee in January for feedback and then bring it back to the Audit March meeting where the financial statements will be looked at and hopefully have obtained enough feedback in the interim so we can have these approved at the March meeting of the Audit Committee. The Work Plan for the AUC has changed from 2010 and needs to be updated as well have some changes to the template. L. Capriotti will send out a Doodle Poll to set up a meeting within the first two weeks of March 2015. We would send out staff's first revision to the Work Plan

and Terms of Reference sometime in early to mid January for comments from the committee so we can get it approved at the committee meeting in March.

The Work plan is modified yearly but the Terms of Reference are reviewed every two years. M. Price advised that page 2 of the AUC Terms of Reference under Constituency and Qualifications of Committee Members, the second paragraph, second sentence needs to be modified.

5. Other Business

The focus is on Aptify and that it's up and running for the new year. Daily reports are being sent to Management on Aptify.

6. Date of Next Meeting

A Doodle Poll will be sent out to schedule the next meeting which will be held in early March.

7. Adjournment

The committee agreed to adjourn the meeting at 5:40 p.m. and a motion was passed to that effect.

MOTION

That meeting be adjourned.

Moved by D. Chui and seconded by E. Kuczera.

MOTION CARRIED