



**AUDIT AND FINANCE STANDING COMMITTEE
MINUTES
June 21, 2017**

PRESENT: Councillor Bill Karsten, Chair
Councillor Lorelei Nicoll, Vice Chair
Councillor Russell Walker
Councillor Stephen D. Adams
Councillor Matt Whitman
Deputy Mayor Steve Craig

STAFF: John Traves, Municipal Solicitor
Amanda Whitewood, CFO/Director of Finance and Asset Management
Sheilagh Edmonds, Legislative Assistant

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

The agenda, reports, supporting documents, information items circulated, and video (if available) are online at halifax.ca.

The meeting was called to order at 10:00 a.m. and moved into an In Camera (In Private) session at 12:17 p.m., and reconvened at 12:55 p.m. The Standing Committee adjourned at 12:59 p.m.

1. CALL TO ORDER

The Chair called the meeting to order at 10:00 a.m.

2. APPROVAL OF MINUTES – May 17, 2017

MOVED by Councillor Nicoll, seconded by Deputy Mayor Craig

THAT the minutes of May 17, 2017 be approved.

MOTION PUT AND PASSED.

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

Additions:

- 14.2 Contractual Matter
 - 14.2.1 LED Conversion of HRM Street Lights

MOVED by Councillor Walker, seconded by Councillor Adams

THAT the agenda be approved as amended.

Two-third majority vote required.

At a later point in the meeting, Councillor Whitman requested that information item 1--Information Report dated June 5, 2017, RE MBNCanada Program Overview be brought forward on the agenda of the next regular meeting.

MOTION PUT AND PASSED.

4. BUSINESS ARISING OUT OF THE MINUTES

5. CALL FOR DECLARATION OF CONFLICT OF INTERESTS – NONE

Councillor Whitman entered the meeting at 10:02 a.m.

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

10.1 Correspondence - None

10.2 Petitions - None

10.3 Presentation:

10.3.1 Overview of Internal Control Environment

The following was before the Standing Committee:

- A presentation entitled, Internal Controls, dated June 20, 2017.

Louis de Montbrun, Manager, Financial Reporting provided a presentation on Internal Controls. The presentation covered the following:

- definition of 'Internal Control'
- the role of the Finance and Audit Committee
- examples of control activities, the limitations of internal controls and the responsibility for internal control.
- evaluating internal controls, and internal control developments in the private sector and in the public sector.

Louis de Montbrun and Amanda Whitewood responded to questions from the Committee.

11. INFORMATION ITEMS BROUGHT FORWARD – NONE

12. REPORTS

12.1 FINANCE AND RISK MANAGEMENT:

12.1.1 Fourth Quarter 2016/17 Financial Report

The following was before the Finance and Audit Standing Committee:

- A staff recommendation report dated May 31, 2017
- A presentation entitled, 'Fourth Quarter Report, Presentation to the Audit and Finance Standing Committee, dated June 21, 2017'

Louis de Montbrun, Manager, Financial Reporting provided a presentation on the Fourth Quarter report. Louis advised that at year end there is a surplus of \$1.4 million and that the surplus will be transferred into the General Contingency Reserve account.

MOVED by Councillor Whitman seconded by Councillor Craig

THAT the Audit and Finance Standing Committee forward the Fourth quarter 2016/17 Financial Report to Regional Council for information.

Louis responded to questions from the Committee.

MOTION PUT AND PASSED.

12.1.2 Year End Financial Statements

The following was before the Audit and Finance Standing Committee:

- A staff recommendation report dated June 12, 2017.
- A presentation entitled, 'Audited Consolidated Financial Statements, March 31, 2017'

Louis de Montbrun, Manager, Financial Reporting provided a presentation on the consolidated financial statements for the fiscal year ended March 31, 2017. In the presentation, Louis noted:

- that there is a different basis of accounting for the Water Commission
- at year end there is a surplus of approximately \$2.1 million and the staff recommendation is to transfer it to various reserve accounts as outlined in the staff recommendation.

Mayor Savage entered the meeting at 10:54 a.m.

In response to a question RE capitalization of storm water assets, Louis explained that Halifax Water never had these assets (all existing culverts) on their books, previously, and it mostly relates to when HRM handed over the wastewater assets to Halifax Water.

In response to a further question, as to whether the assets were on HRM's books prior to Halifax Water's books, Carey Blair, CPA, CA, Lead Audit Engagement Partner, KPMG, explained that, prior to 2009, public sector accounting standards did not require the capitalization of tangible capital assets. These assets transferred to Halifax Water pre-2009, and it would have been the responsibility of Halifax Water to bring it on their books in the transition in 2009. Carey Blair added that these assets are contributed assets and, under the accounting model, they also have a \$91 million liability set up which would relate to deferred capital contributions for these assets; therefore, there is no net impact to the results of the Water Commission because the assets are being amortized equally in conjunction with the deferred contribution.

Carey Blair, CPA, CA, Lead Audit Engagement Partner, KPMG presented the External Auditor's report at this time, and the following points were noted:

- the report was prepared as of June 14, 2017.
- there were no audit differences that needed to be elevated to the attention of the Audit and Finance Standing Committee.
- they are continuing their discussions with Halifax Water auditors, Grant Thornton, related to their final sign-offs and representations to them, and they don't anticipate any issues; they will be going to Halifax Water June 28 with their final documentation
- they monitor and remain independent of the Halifax Regional Municipality
- did not identify any significant financial reporting risks
- the auditor believes the form, arrangement, and content of the financial statements as presented and disclosed is adequate
- the Auditors were informed of a suspected third party fraud on June 6, and did take this into consideration and did not identify any additional risk that would require additional work.

MOVED by Councillor Nicoll, seconded by Councillor Walker

THAT the Audit and Finance Standing Committee recommend that Halifax Regional Council approve:

1)The Consolidated Financial Statements of the Halifax Regional Municipality for the year ended March 31, 2017;

2)The Statement of General Rate Surplus of the Halifax Regional Municipality for the year ended March 31, 2017;

3) Transfers of \$2,164,945, as outlined below, to reduce the general rate surplus to zero:

- | | |
|---|-------------|
| • Police Officer On the Job Injury Reserve, Q411 | \$ 80,000 |
| • Landfill Closure and Post Closure Costs Reserve, Q506 | \$ 318,300 |
| • Operating Stabilization Reserve, Q416 | \$ 374,000 |
| • General Contingency Reserve, Q421 | \$1,392,645 |

4)The financial statements of the Halifax Regional Municipality Miscellaneous Trust Funds for the year ended March 31, 2017, and,

5)That KPMG continue as the External Auditor until the tender for external audit services is awarded for fiscal year 2017/18.

MOTION PUT AND PASSED.

12.2 INVESTMENT REPORTS - NONE

12.3 AUDITOR GENERAL

12.3.1 Contract Management

The following was circulated to Audit and Finance Standing Committee:

- A presentation entitled Contract Management Audit

Evangeline Coleman-Sadd Auditor General and Paul Flinn, Audit Director provided the presentation on their audit of contract management. Highlights of the presentation are noted as follows:

- Four business units audited: Finance, Information, Communication, and Technology; Operations Support, Parks and Recreation; and Transportation and Public Works.
- Purpose of the audit was to determine whether Halifax Regional Municipality effectively manages contracted services to achieve value-for-money across the business units they audited.
- Five recommendations resulted from the audit:
 - Review current contract terms to ensure terms are reasonable given staff allocated to ongoing monitoring
 - All business units should monitor compliance with all contract terms
 - Business units should evaluate vendor performance
 - Procurement division should establish processes ensuring vendor evaluations are completed and used
 - All external service contracts should require a payment penalty clause
- All five recommendations were accepted by Management; will follow-up in 12 – 24 months.
- A copy of the report will be forwarded to all business unit directors.

At 12:08 p.m. Councillor Adams retired from the meeting.

The presenters responded to questions.

12.4 STAFF - NONE

12.5 GRANTS COMMITTEE - NONE

12.6 SPECIAL EVENTS ADVISORY COMMITTEE - NONE

12.7 COMMITTEE MEMBERS - NONE

13. MOTIONS - NONE

Prior to convening In Camera (In Private), the Standing Committee dealt with agenda items 15 – 18.

14. IN CAMERA (IN PRIVATE)

The Standing Committee recessed at 12:15 p.m. and convened In Camera (In Private).

The Standing Committee reconvened in the public session at 12:55 p.m.

14.1 Legal Matter

14.1.1 Legal Matter – Verbal Update – Private and Confidential

The Audit and Finance Standing Committee convened in camera (in private) to address the matter.

14.2 Contractual Matter

14.2.1 LED Conversion of HRM Street Lights

The following was before the Standing Committee:

- A private and confidential staff recommendation report dated June 16, 2017.

MOVED by Councillor Walker, seconded by Councillor Nicoll that

The Audit and Finance Standing Committee recommend that Regional Council:

- 1. Approve the recommendation as outlined in the private and confidential staff report dated June 16, 2017.**
- 2. Not release the report to the public until the conditions as outlined in the private and confidential staff report dated June 16, 2017 have been met.**

MOTION PUT AND PASSED.

15. ADDED ITEMS - NONE

16. NOTICES OF MOTION - NONE

17. PUBLIC PARTICIPATION

No one came forward to address the Committee during Public Participation.

18. DATE OF NEXT MEETING – July 19, 2017 (if required)

19. ADJOURNMENT

The meeting adjourned at 12:59 p.m.

Sheilagh Edmonds
Legislative Assistant