



Minutes

Audit Committee Meeting

November 2, 2016

Minutes of a meeting of the Audit Committee (AUC) held in the PEO offices at 40 Sheppard Avenue West, North York, Ontario, on November 2, 2016 commencing at 5:00 pm.

In attendance:

Audit Committee Members:

Chair: Danny Chui, P.Eng., FEC

Vice-Chair: Ewald Kuczera, M.Sc., P.Eng.
Thomas Chong, M.Sc., P.Eng., FEC, PMP
Ed Nelimarkka, MBA, BEng., P.Eng. (via conference)
Craig Young, P.Eng., CPA, CMA (via conference)
Gary Houghton, P.Eng.
Dan Preley, P.Eng.

Staff: Gerard McDonald, P.Eng., Registrar
Fern Goncalves, CHRL, Director, People Development
Chetan Mehta, MS, MBA, Director, Finance
Peter Cowherd, CPA, CMA, Manager, Financial Services and Procurement
Lucy Capriotti, Administrative Assistant

Guests: Steve Stewart, CPA, CA (Deloitte)

Regrets: None

1.0 Call to order and welcome

The meeting was called to order at 5:07 p.m. by E. Kuczera Vice Chair as D. Chui was running late.

2.0 Approval of the meeting Agenda

The agenda was approved with one amendment.

MOTION

That the agenda as presented be approved with an amendment to accommodate a presentation to the Sub-committee by D. Brown.

Moved by T. Chong and seconded by G. Houghton

CARRIED

D. Brown's Presentation to the AUC (material was provided prior to meeting)

D. Brown thanked the Chair and the other members of the AUC for allowing him to come in to talk about the changes to investment policies for the reserve fund and the pension plan assets. D. Brown informed the AUC members that the investment sub-committee consists of himself as a member of the HRC, R. Jones as member of the FIC, F. Goncalves as Chair of the sub-committee along with one PEO employee S. Guerriero who is a member of the pension plan. The Investment sub-committee's purpose per its terms of reference is to monitor the performance of PEO's investment assets which consist of the reserve fund which has assets worth approx. \$6m and the employee pension fund which has assets worth \$24m approx. D. Brown stated that since PEO has a defined benefit plan, it is required that the plan assets earn a minimum percentage annualized return of 7 percent. The asset allocation for each of these funds needs to be monitored annually but this has not been done since 2009. Last year the investment sub-committee asked the fund managers of PEO's reserve fund (SIAM) and pension plan assets (Mackenzie) for their recommendations on how best can these respective fund monies be invested to optimize returns while keeping PEO's risk profile in mind. Both of these investment managers made recommendations for changes to the asset allocation in the respective investment policies. However, in order to make changes to investment policy for both these funds, approval from both the FIC and the AUC is required before these can be presented to Council for final approval. The FIC has already approved the recommendations made by the fund managers but now approval from the AUC is required before the revised investment policies for the reserve fund and pension plan assets can be presented to Council for approval in Nov. Both of these policies have been presented to the AUC with tracking changes so that the members can view the changes.

After discussion, the AUC members unanimously agreed to approve the changes recommended by the investment fund managers to the respective investment policies for both the reserve fund and pension plan assets.

MOTION

That the recommendations for changes to the investment policies for the reserve fund and pension plan assets as contained in the investment sub-committee report and presented at this meeting be approved.

Moved by T. Chong and seconded by D. Preley.

CARRIED

E. Kuczera (Vice Chair) handed the Chair over to D. Chui.

3.0 Approval of Minutes from June 13, 2016

MOTION

That the Minutes of Audit Committee Meeting held on June 13, 2016 be approved.

Moved by E. Kuczera and seconded by T. Chong

CARRIED

4.0 Business arising from the Minutes

There was no other business discussed.

5.0 Presentation of 2016 Audit Plan by Steve Stewart from Deloitte

S. Stewart walked the audit committee through the audit plan for the 2016 year-end audit and answered questions the members had.

S. Stewart also asked the members if there were any particular areas the AUC wanted the auditors to focus on.

T. Chong suggested that the 2017 audit focus on staff and volunteer expenses. S. Stewart advised they would check a larger sample of the expense reports and test these for compliance with controls.

S. Stewart was also requested to check on an CRA rules that could impact NPOs such as PEO who owned their own building and rented out a part of it.

ACTION ITEM:

S. Stewart will check relevant CRA rules and tax implications for non-profits such as PEO and report back to the AUC.

6.0 Term Limits for Chair, Vice-Chair and members

D. Chui requested G. McDonald to provide some background on the topic of committee term limits. G. McDonald advised the AUC members that the HRC had discussed the topic of term limits for committee members for all committees with the ACV and had agreed it was a good policy for all committees to have term limits but it should be up to each committee itself to decide what these term limits should be in order to fulfill its respective mandate. This was presented to Council which had agreed that term limits should be included in

the terms of reference for each committee by March 31, 2017. As a result, the AUC was being asked as a committee to incorporate term limits for its members in its Terms of Reference.

E. Kuczera suggested that there are a couple of areas that need to be addressed with regard to who should be Chair and vice Chair. Since the Chair as part of his/her normal responsibilities would report to Council, it would make sense to have the position of the chair and vice chair open to elected members only and the relevant modifications need to be made to the Qualifications section in the Terms of Reference.

E. Kuczera also mentioned that there should be a clause that speaks to term limits for non-elected (i.e. appointed) members in the relevant section in the Terms of Reference.

D. Chui thanked E. Kuczera for his inputs and said that he agreed with E. Kuczera's observations.

G. McDonald pointed out that the existing Terms of Reference now say that the AUC will elect its own Chair with a two-year consecutive term limit as well the same for the Vice Chair. Committee members will be appointed annually and can serve for a maximum of five consecutive years. He indicated that if the committee members were ok with the current term limits then no changes were necessary.

E. Kuczera explained that term limit only applies to elected but not to non-elected members and that a clause for non-elected members needed to be included in the Terms of Reference.

After some discussion, the committee members asked that the following changes to the ToR be made.

1) non-elected members would be appointed to a maximum term of two consecutive years with the ability to renew for another two years;

2) elected members will be appointed annually and can serve for a maximum of five consecutive years

Under Qualifications and election of the Chair and Vice-Chair should read "The Audit Committee will elect its own chair and vice-chair *who must be a member of Council*" and remove "with a two-year consecutive term limit".

C. Mehta will be sending a red lined version to the committee showing the changes discussed for review.

MOTION

That the Terms of Reference be amended as discussed.

Moved by E. Kuczera and seconded by D. Preley

CARRIED

7.0 Other Business

There was no other business discussed.

8.0 Date of Next Meeting

A Doodle poll will be sent to schedule the next meeting.

9.0 Adjournment

The committee agreed to adjourn the meeting at 6:35 p.m. and a motion was passed to that effect.

MOTION

That the meeting be adjourned.

Moved by E. Kuczera and seconded by T. Chong