

## Audit Committee Meeting Minutes

Tuesday, April 27, 2021

1:00 to 2:00 pm

**In Attendance:** Nancy Chamberlain, Allane Danchuk, Melissa Beaucage, Katherine Couzelis, Tuomas Minor, Julie Budd (BDO Dunwoody) and Kristen Spithoff (BDO Dunwoody)

**Recorder:** Karen Scott

Discussion	Action Items
<ol style="list-style-type: none"> <li>1. Introductions were done.</li>   <li>2. Purpose of the Meeting: The purpose of the meeting is to have management and board audit committee members meet with the auditors to review the scope of the audit and to address any changes or concerns that may be identified.</li>   <li>3. Kristen Spithoff and Julie Budd from BDO Dunwoody highlighted some areas of the Planning Report:                             <ul style="list-style-type: none"> <li>➤ A fair amount of work has been done including interim testing where they looked at payroll testing, some purchases, and internal controls during the first week of February.</li> <li>➤ Year end work will begin May 3<sup>rd</sup> with Julie and Kristen meeting again with the Audit Committee on June 8, 2021.</li> <li>➤ Audit risks and responses where BDO will assess the Organization's internal controls for ensuring the capital and operating grants. They will be looking at bank reconciliations and confirming bank balances. They will also be focussing on grant revenue, receivables, and deferrals. Grant revenue makes up a large total of the revenue and the concern is some grant funding requires the funds to be spent on certain types of expenses and if the funding is not spent or the restrictions of the funding agreement are not met, then the funding needs to be set up as a repayable to the funder or as deferred revenue. This is considered a main risk area.</li> <li>➤ Due to the volume of transactions, they will be reviewing the agency's internal controls for example verifying invoices are properly approved by management and cheques have two signatures. They will also be performing detailed testing on expenditures verifying they are recorded properly in the GL by reviewing invoices and other supporting documentation.</li> <li>➤ This year, some funding is specifically COVID related and definitions in certain circumstances have been somewhat vague. Nancy confirmed they do have a papertrail of where TBC has asked for clarification.</li> <li>➤ Calculation on the preliminary Materiality of the 2020 -21 audit is \$100,000 which is based on 3% of expenses, the calculation is updated when the field work is completed next week and looking at the</li> </ul> </li> </ol>	

actual year-end expenses. Materiality serves two purposes, the first is for their sampling form and tells them how many samples they need to test. The second purpose is a maximum limit of errors before BDO would qualify the file audit. If BDO Dunwoody happens to identify errors, they are required to discuss those with management and encourage them to correct the errors and disclose any uncorrected errors to the Audit Committee in June.

- As part of the year end Audit Committee meeting, BDO Dunwoody will provide the Audit Committee with a copy of the draft audit opinion, discuss their findings, including significant estimates utilized by management, accounting policies, financial statement disclosures and significant transactions completed during the year. They will also report any significant internal control deficiencies identified during their audit.

4. Questions:

- a. What are the implications regarding Grants and the spent or underspent commitment by the deadline?

Last year because of COVID it was the first time Provincial funding had some flexibility in terms of how it was spent. Almost all the grants have a definite deadline and non-profits do not have the opportunity to keep the funds. Ministries ask agencies their forecasts for spending by December, if the Ministry can reallocate the funding to another agency, they can keep the funding in the region and if not, it goes back to corporate. This year as they forecasted some of the funding, they received permission to spend money differently. The agency reports quarterly to their funders.

- b. With the COVID virtually economy and the financial controls corporations have in place, is there typically a loosening of controls or have they adapted to the virtual environment?

Kristen mentioned it is unique to each entity and some places have let this slide. BDO were not able to look at some controls and would focus on more backup which resulted in more work and more risk.

- c. Has the agency ever had to return Grant money?

Only once, 2 or 3 years ago with the Support Services for Male Survivors program, who they have a partnership agreement, the partners were low on their expenditures, so TBC needed to give money back. This year some partners were coming in low, TBC met with them, applied to the Ministry and they allowed TBC to reallocate the money. Where TBC has partnership agreements and they are the lead agency, it is important to know the partner's forecasts, as TBC are liable.

- 5. Next Meeting: June 8, 2021 from 11:00 – 12:00