

**AUDIT AND BUDGET COMMITTEE MEETING  
ON-LINE TELECONFERENCE**

**Wednesday, April 29, 2020  
9:30 a.m.**

**A G E N D A**

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- 1. APPROVAL OF AGENDA**
- 2. DECLARATIONS OF CONFLICT OF INTEREST**
- 3. APPROVAL OF THE MINUTES**
  - a) Minutes of the NPCA Audit and Budget Committee meeting dated March 12, 2020 Page # 1
- 4. CORRESPONDENCE**
- 5. DELEGATIONS / PRESENTATIONS**
  - a) Presentation by Scott Plugers, KPMG, RE: Audited Financial Statements and Audit Findings Report
- 6. CONSENT ITEMS**
- 7. DISCUSSION ITEMS**
  - a) Report No. A&BC-05-2020 RE: 2019 Audited Financial Statements Page # 6
  - b) Report No. A&BC-04-2020 RE: Financial Report - Q1 - 2020 Page # 50
  - c) Report No. A&BC-06-20 RE: Audit and Budget Committee Terms of Reference and 2020 Work Plan Page # 54
  - d) Report No. A&BC-03-2020 RE: Establishing a 2020 Audit and Budget Committee Meeting Calendar Page # 65
- 8. NEW BUSINESS**
- 9. ADJOURNMENT**

**Audit and Budget Committee Meeting  
Thursday, March 12, 2020  
9:30 a.m.  
Ball's Falls Centre for Conservation  
Glen Elgin Room  
3292 Sixth Avenue, Jordon, ON**

**MINUTES**

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**MEMBERS PRESENT:** J. Metcalfe, Committee Chair  
R. Foster  
B. Johnson (departed 10:31 a.m.)  
K. Kawall  
B. Mackenzie  
J. Metcalfe  
B. Steele (arrived 10:06 a.m.)  
M. Woodhouse

**ABSENT:** S. Beattie

**STAFF PRESENT:** C. Sharma, Chief Administrative Officer/Secretary–Treasurer  
G. Bivol, Executive Co-ordinator to the C.A.O/Board  
L. Gagnon, Director Corporate Services  
E. Gervais, Procurement Specialist

Chair Metcalfe called the meeting to order at 9:46 a.m.

**1. APPROVAL OF AGENDA**

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1.1 Motion to Adopt Agenda

Recommendation No. A&BC-01-2020

Moved by Member Metcalfe

Seconded by Member Woodhouse

**THAT** the revised agenda for the Audit and Budget Committee meeting dated Thursday, March 12, 2020 be adopted.

**CARRIED**

**2. DECLARATIONS OF CONFLICT OF INTEREST**

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None declared.

**3. APPROVAL OF THE MINUTES**

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3.1 Minutes of the NPCA Audit and Budget Committee meeting dated October 7, 2019

Recommendation No. A&BC-02-2020

Moved by Member Metcalfe

Seconded by Member Woodhouse

**THAT** the minutes of the Audit and Budget Committee meeting dated October 7, 2019 be approved.

**CARRIED**

#### 4. APPOINTMENT OF COMMITTEE CHAIR AND VICE CHAIR

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- 4.1 C.A.O. assumes the Chair - C.A.O. Sharma assumed the Chair as Member Metcalfe vacated the position to allow for elections. She called the following votes:

Recommendation No. A&BC-03-2020

Moved by Member Woodhouse

Seconded by Member Metcalfe

**THAT** the Chair **BE DECLARED** vacant.

**CARRIED**

- 4.2 Appointment of Scrutineers

Recommendation No. A&BC-04-2020

Moved by Member Woodhouse

Seconded by Member Foster

1. **THAT** in the event of a vote by ballot, Eric Gervais and Grant Bivol **WILL ACT** as scrutineers.

2. **AND FURTHER THAT** all ballots **BE DESTROYED** after the election.

**CARRIED**

- 4.3 Election of Chair – Ms. Sharma called for nominations for the position of Chair and received the following:

Nomination:

Moved by Member Foster

**THAT** Member Kawall **BE NOMINATED** as Chair of the Niagara Peninsula Conservation Authority Audit and Budget Committee for 2020.

Ms. Sharma called a second and third time for nominations to the position of Chair. With no further nominations coming forward the Committee recommended the following:

Recommendation No. A&BC-05-2020

Moved by Member Metcalfe

Seconded by Member Foster

**THAT** nominations for the position of Committee Chair **BE CLOSED**.

**CARRIED**

Recommendation No. A&BC-06-2020

Moved by Member Foster

Seconded by Member Metcalfe

THAT the following Member **BE APPOINTED** as Chair of the Niagara Peninsula Conservation Authority Audit and Budget Committee for 2020: Ken Kawall.

**CARRIED**

- 4.4 Election of Vice Chair– Ms. Sharma called for nominations for the position of Vice Chair and received the following:

Nomination:

Moved by Member Foster

**THAT** Member Metcalfe **BE NOMINATED** as Vice Chair of the Niagara Peninsula Conservation Authority Audit and Budget Committee for 2020.

Ms. Sharma called a second and third time for nominations to the position of Vice Chair. With no further nominations coming forward the Committee recommended the following:

Recommendation No. A&BC-07-2020

Moved by Member Foster

Seconded by Member Woodhouse

**THAT** nominations for the position of Committee Vice Chair **BE CLOSED**.

**CARRIED**

Recommendation No. A&BC-08-2020

Moved by Member Foster

Seconded by Member Woodhouse

THAT following Member **BE APPOINTED** as Vice Chair of the Niagara Peninsula Conservation Authority Audit and Budget Committee for 2020: John Metcalfe.

**CARRIED**

At conclusion of the above vote, Member Ken Kawall assumed the Chair and presided over the remainder of the proceedings.

## 5. CORRESPONDENCE

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None.

## 6. DELEGATIONS / PRESENTATIONS

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None.

## 7. CONSENT ITEMS

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None.

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## 8. DISCUSSION ITEMS

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- 8.1 Report No. A&BC-01-2020 RE: Procurement Policy – The Committee posed questions to Ms. Gagnon and Mr. Gervais. Discussion ensued. The Committee requested an annual listing of unsolicited proposals.

Recommendation No. A&BC-09-2020

Moved by Member Foster

Seconded by Member Metcalfe

1. **THAT** Report No. A&BC-01-2020 RE: NPCA Procurement Policy **BE RECEIVED**.
2. **THAT** the NPCA Procurement Policy **BE RECOMMENDED** to the Board of Directors for approval.

**CARRIED**

- 8.2 Report No. A&BC-02-2020 RE: Delegation of Authority – Ms. Gagnon presented and discussion ensued.

Recommendation No. A&BC-10-2020

Moved by Member Steele

Seconded by Member Woodhouse

1. **THAT** Report No. A&BC-02-2020 RE: Delegation of Authority policy **BE RECEIVED**.
2. **THAT** the Delegation of Authority Policy **BE RECOMMENDED** to the Board of Directors for approval.

**CARRIED**

- 8.3 Verbal Update – Operating and Capital Budgets – 2020 – Ms. Gagnon discussed the budgets and debt servicing issues. Discussion ensued. Ms. Gagnon was requested to maintain in contact with Hamilton and the Region and to report back to the Board in May or June once municipal budgets were approved.

- 8.4 Establishing a 2020 Audit and Budget Committee Meeting Calendar – The Chair indicated that he would discuss the meeting schedule and Terms of Reference with the C.A.O. and bring the matter back to the Committee. Potential May meeting dates were discussed. It was noted that subsequent Committee meetings would occur in the NPCA Head Office Boardroom.

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## 9. NEW BUSINESS

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The Chair suggested an overview or future educational training for Members on the levy process.

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## 10. ADJOURNMENT

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Recommendation No. A&BC-11-2020

Moved by Member Metcalfe

Seconded by Member Foster

**THAT** the meeting be hereby adjourned at 11:30 a.m.

**CARRIED**

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K. Kawall  
Committee Chair

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C. Sharma  
C.A.O. / Secretary - Treasurer

**Report To: Audit and Budget Committee**

**Subject: 2019 Audited Financial Statements**

**Report No: A&BC-05-2020**

**Date: April 29, 2020**

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**Recommendation:**

1. **THAT** Report No. A&BC-05-2020 RE: 2019 Audited Financial Statements **BE RECEIVED**.
2. **THAT** the 2019 Audited Financial Statements and the 2019 Audit Findings Report **BE RECOMMENDED** to the Board of Directors for approval.

**Purpose:**

The purpose of this report is to seek the Audit and Budget Committee's approval of the 2019 Audited Financial Statements and the 2019 Audit Findings Report.

**Financial Implications:**

There are no financial implications associated with this report.

**Related Reports and Appendices:**

Appendix 1: Draft 2019 Audited Financial Statements

Appendix 2: Draft 2019 Audit Findings Report

**Authored by:**

*Original Signed by:*

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Lise Gagnon, CPA, CGA  
Director, Corporate Services

**Submitted by:**

*Original Signed by:*

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Chandra Sharma, MCIP, RPP  
Chief Administrative Officer/Secretary-  
Treasurer

Financial Statements of

**NIAGARA PENINSULA  
CONSERVATION AUTHORITY**

Year ended December 31, 2019

DRAFT



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St. Catharines ON L2R 7G1  
Canada  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Niagara Peninsula Conservation Authority

### **Opinion**

We have audited the financial statements of Niagara Peninsula Conservation Authority (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

MM/DD, 2020

# NIAGARA PENINSULA CONSERVATION AUTHORITY

## Statement of Financial Position

As at December 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 3,454,034	\$ 6,138,740
Investments	4,381,512	4,256,273
Accounts receivable	666,214	278,986
	<u>8,501,760</u>	<u>10,673,999</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	1,389,998	759,075
Employee future benefits (note 2)	66,300	73,200
Deferred revenue (note 4)	1,521,047	1,776,979
Long-term debt (note 3)	216,325	700,030
	<u>3,193,670</u>	<u>3,309,284</u>
Net financial assets	5,308,090	7,364,715
<b>Non-financial assets:</b>		
Prepaid expenses	36,797	33,109
Tangible capital assets (note 5)	21,008,145	20,145,167
	<u>21,044,942</u>	<u>20,178,276</u>
Subsequent event (note 15)		
Accumulated surplus (note 6)	<u>\$ 26,353,032</u>	<u>\$ 27,542,991</u>

See accompanying notes to financial statement.

\_\_\_\_\_  
Chair

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Chief Administrative Officer

# NIAGARA PENINSULA CONSERVATION AUTHORITY

## Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	Budget (note 9)	2019 Actual	2018 Actual
<b>Revenues:</b>			
<b>Government transfers</b>			
Province of Ontario – Ministry of Natural Resources and Forestry (“MNRF”)	\$ 174,496	\$ 90,083	\$ 174,496
Province of Ontario - Other	302,500	223,482	267,038
Government of Canada	100,000	100,000	132,705
<b>Municipal levies</b>			
General	6,416,084	6,416,084	6,246,119
Special	2,252,166	635,001	2,252,166
<b>Authority generated</b>			
User fees, sales and admissions	1,892,600	2,148,195	1,936,971
Administration fees	314,850	401,000	417,690
Interest	60,000	214,063	155,013
Other	235,200	445,261	701,053
OPG - Welland river watershed	-	195,432	-
	11,747,896	10,868,601	12,283,251
<b>Expenses:</b>			
CAO and Administration	2,002,676	3,068,776	2,019,335
Watershed	5,257,856	1,868,308	1,557,677
Corporate Resources	2,077,585	7,121,476	5,629,051
	9,338,117	12,058,560	9,206,063
Annual (deficit) surplus	2,409,779	(1,189,959)	3,077,188
Accumulated surplus, beginning of year	27,542,991	27,542,991	24,465,803
Accumulated surplus, end of year	\$ 28,335,605	\$ 26,353,032	\$ 27,542,991

See accompanying notes to financial statement.

**NIAGARA PENINSULA CONSERVATION AUTHORITY**

## Statement of Change in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Annual (deficit) surplus	\$ (1,189,959)	\$ 3,077,188
Acquisition of tangible capital assets	(1,744,615)	(1,063,320)
Amortization of tangible capital assets	864,071	823,061
Proceeds on disposal of tangible capital assets	47,569	-
Gain on disposal of tangible capital assets	(30,003)	-
Increase in prepaid expenses	(3,688)	(7,473)
	(2,056,625)	2,829,456
Net financial assets, beginning of year	7,364,715	4,535,259
Net financial assets, end of year	\$ 5,308,090	\$ 7,364,715

See accompanying notes to financial statement.

# NIAGARA PENINSULA CONSERVATION AUTHORITY

## Statement of Changes in Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Annual (deficit) surplus	\$(1,189,959)	\$ 3,077,188
Item not involving cash:		
Amortization of tangible capital assets	864,071	823,061
Contributions of tangible capital assets	-	(145,000)
Gain on disposal of tangible capital assets	(30,003)	-
Employee future benefits	(6,900)	(36,300)
Change in non-cash operating working capital:		
Accounts receivable	(387,228)	297,418
Accrued interest on investments	1,961	(2,203)
Prepaid expenses	(3,688)	(7,473)
Accounts payable and accrued liabilities	630,923	(656,342)
Deferred revenue	(255,932)	(340,999)
<b>Net change in cash and cash equivalents from operations</b>	<b>(376,755)</b>	<b>3,009,350</b>
Capital activities:		
Purchases of tangible capital assets	(1,744,615)	(918,320)
Proceeds from disposal of tangible capital assets	47,569	-
<b>Net change in cash and cash equivalents from capital activities</b>	<b>(1,697,046)</b>	<b>(918,320)</b>
Investing activities:		
Proceeds from sale of investments	4,250,000	4,072,250
Purchases of investments	(4,377,200)	(4,250,000)
<b>Net change in cash and cash equivalents from investing activities</b>	<b>(127,200)</b>	<b>(177,750)</b>
Financing activities:		
Repayment of long-term debt	(483,705)	(760,429)
<b>Net change in cash and cash equivalents</b>	<b>(2,684,706)</b>	<b>1,152,851</b>
Cash and cash equivalents, beginning of year	6,138,740	4,985,889
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,454,034</b>	<b>\$ 6,138,740</b>

See accompanying notes to financial statement.

# NIAGARA PENINSULA CONSERVATION AUTHORITY

## Notes to Financial Statements

Year ended December 31, 2019

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The Niagara Peninsula Conservation Authority (“the Authority”) is established under The Conservation Authorities Act of Ontario to further the conservation, restoration, development and management of natural resources. It is exempt from income taxes under section 149(1)(c) of the Income Tax Act.

### 1. Significant accounting policies:

The financial statements of Niagara Peninsula Conservation Authority (“the Authority”) are prepared by management in accordance with Public Sector Accounting Standards (“PSAS”). Significant accounting policies adopted by the Authority are as follows:

(a) Basis of accounting:

Revenues and expenses are reported on the accrual basis of accounting. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, balances with banks and guaranteed investment certificates that mature within three months.

(c) Investments:

Investments consist of term deposits and are recorded at amortized cost. Investments held by the Authority have a market value that approximates cost given their fixed interest rate nature and maturity date within one year. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss. Investment income earned on investments are reported as revenue in the period earned.

(d) Deferred revenue:

Deferred revenues represent government transfers and user fees which have been collected but for which related expenses or related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. Tangible capital assets have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

**NIAGARA PENINSULA CONSERVATION AUTHORITY**

Notes to Financial Statements (continued)

Year ended December 31, 2019

**1. Significant accounting policies (continued):**

(e) Non-financial assets (continued):

(i) Tangible capital assets:

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset. The Authority does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

Cost, less residual value of tangible capital assets are amortized on a straight line basis over their estimated useful life. Land is considered to have an infinite life without amortization. Full year amortization is charged in the year of acquisition. Work-in-progress assets are not amortized until the asset is available for productive use.

Amortization is based on the following classifications and useful lives:

<b>Asset</b>	<b>Useful Life - Years</b>
Land Improvements	20 years
Buildings	30 years
Dams	15 to 100 years
Gauge stations	15 to 30 years
Equipment	10 years
Vehicles	5 years
Office equipment	5 years

Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition and recognized as revenue in the year of contribution.

# NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 1. Significant accounting policies (continued):

(f) Revenue recognition:

i) Government transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made except when, and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

ii) Municipal levies

Municipal levies are recognized as revenue in the year in which they meet the definition of an asset, the levy is authorized and the levy event has occurred.

iii) Authority generated

User fees, sales and admissions and other income is reported as revenue in the period earned.

(g) Employee future benefits:

The Authority provides certain employee benefits which will require funding in future periods. These benefits include extended health and dental benefits for early retirees to age 65. The employee future benefits represent management's best estimates of the cost of premiums on benefits up to the date of retirement.

(h) Use of estimates:

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from management's best estimates as additional information becomes available in future. Significant estimates include assumptions used in the estimation of employee future benefits.

# NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 2. Employee future benefit:

The Authority provides extended life, health and dental benefits for early retirees to age 65 which will require funding in future periods. The Authority recognizes these retirement benefit costs in the period in which the service is rendered. The accrued benefit liability at December 31, 2019 was estimated by management to be \$66,300 (2018 - \$73,200). Information about the Authority's benefit plan is as follows:

	2019	2018
Accrued benefit obligation:		
Balance, beginning of year	\$ 73,200	\$ 109,500
Current benefit cost	14,195	(9,152)
Benefits paid	(21,095)	(27,148)
Accrued benefit obligation, end of year	\$ 66,300	\$ 73,200

## 3. Long-term debt:

	2019	2018
The Authority has assumed responsibility for the payment of principal and interest charges on long-term debt issued by the Region of Niagara	\$ 216,325	\$ 700,030
	\$ 216,325	\$ 700,030

Long-term debt bears interest at rates ranging from 4.5% - 4.8%. Total principal payments to be made on the outstanding long-term debt is \$216,325 in 2020.

The Authority paid \$27,980 (2018 - \$63,691) in interest on long-term debt during the year.

## 4. Deferred revenue:

Deferred revenues consist of the following:

	Balance at December 31, 2018	Externally restricted inflows	Revenue earned	Balance at December 31, 2019
User fees and other	\$ 217,677	\$ 132,984	\$ (150,681)	\$ 199,980
Government grants	296,960	22,560	(65,363)	254,157
Welland river watershed- Ontario Power Generation ("OPG")	1,262,342	-	(195,432)	1,066,910
Total	\$ 1,776,979	\$ 155,544	\$ (411,476)	\$ 1,521,047

**NIAGARA PENINSULA CONSERVATION AUTHORITY**

Notes to Financial Statements (continued)

Year ended December 31, 2019

**5. Tangible capital assets:**

Cost	Balance at December 31, 2018	Additions	Transfers/ Disposals	Balance at December 31, 2019
Land	\$ 8,655,507	\$ 536,943	\$ -	\$ 9,192,450
Land improvements	6,037,653	302,475	-	6,340,128
Buildings	5,749,357	312,284	-	6,061,641
Dams	4,986,642	-	-	4,986,642
Gauge stations	403,351	-	-	403,351
Equipment	2,167,681	194,023	(61,164)	2,300,540
Vehicles	314,254	-	(29,558)	284,696
Office equipment	858,516	123,548	(11,392)	970,672
Work-in-progress	236,916	375,919	(100,577)	512,258
<b>Total</b>	<b>\$ 29,409,877</b>	<b>\$ 1,845,192</b>	<b>\$ (202,691)</b>	<b>\$ 31,052,378</b>

Accumulated Amortization	Balance at December 31, 2018	Additions	Transfers/ Disposals	Balance at December 31, 2019
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	2,986,422	256,485	-	3,242,907
Buildings	2,305,455	192,870	-	2,498,325
Dams	1,713,041	59,085	-	1,772,126
Gauge stations	204,329	20,626	-	224,955
Equipment	1,156,281	178,409	(43,598)	1,291,092
Vehicles	251,808	20,816	(29,558)	243,066
Office equipment	647,374	135,780	(11,392)	771,762
<b>Total</b>	<b>\$ 9,264,710</b>	<b>\$ 864,071</b>	<b>\$ (84,548)</b>	<b>\$ 10,044,233</b>

# NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 5. Tangible capital assets (continued):

	Net Book Value December 31, 2018	Net Book Value December 31, 2019
Land	\$ 8,655,507	\$ 9,192,450
Land improvements	3,051,231	3,097,221
Buildings	3,443,902	3,563,316
Dams	3,273,601	3,214,516
Gauge stations	199,022	1,009,448
Equipment	1,011,400	178,396
Vehicles	62,446	41,630
Office equipment	211,142	198,910
Work-in-progress	236,916	512,258
<b>Total</b>	<b>\$ 20,145,167</b>	<b>\$ 21,008,145</b>

Work-in-process, having a value of \$512,258 (2018 - \$236,916) has not been amortized. Amortization of these assets will commence when the asset is put into service.

Contributed tangible capital assets have been recognized at fair value at the date of contribution. The value of contributed assets received during the year is nil (2018 - \$145,000 comprised of land).

Tangible capital assets recognized at nominal value include land used in the operations and conservation management.

The Authority has not recorded a write-down of tangible capital assets during the year or 2018.

## 6. Accumulated surplus:

Accumulated surplus consists of the following:

	2019	2018
Invested in tangible capital assets	\$ 20,791,820	\$ 19,445,137
Reserves set aside by the Board of the Authority for specific purpose	5,627,512	8,171,054
Unfunded employee future benefits liability	(66,300)	(73,200)
	<b>\$ 26,353,032</b>	<b>\$ 27,542,991</b>

# NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 6. Accumulated surplus (continued):

Reserves set aside by the Board of the Authority for specific purpose consists of the following:

	2019	2018
General capital	\$ 548,734	\$ 1,373,806
Operating reserve	1,507,903	1,360,743
Equipment	-	107,257
Flood protection	281,773	318,406
Levy differential	31,619	1,646,591
Land acquisitions	2,926,032	3,031,880
Restoration	251,038	250,000
Tree by-law	80,413	82,371
	<b>\$ 5,627,512</b>	<b>\$ 8,171,054</b>

## 7. Credit facility:

The Authority's credit facility includes an overdraft lending account of \$765,000 bearing interest at prime. As at December 31, 2019, \$nil (2018 - \$nil) was drawn on this facility. As at December 31, 2019, \$35,000 (2018 - \$nil) was issued by way of a letter of credit to a municipality for which the Authority receives levies in exchange for construction work on-going within the municipal boundaries. The facility is secured by a general security agreement.

## 8. Pension plan:

The Authority makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of the 56 (2018 - 54) members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, the Authority does not recognize any share of the pension plan deficit of \$3.4 billion (2018 - \$4.2 billion) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2019 calendar year at rates ranging from 9.0% to 15.8% depending on the member's designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the Statement of Operations. Employer contributions to OMERS for 2019 current and past service was \$394,201 (2018 - \$378,347) and were matched by employee contributions.

# NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 9. Budget data:

The budget data presented in these financial statements is based upon the 2019 operating budget approved by the Board of the Authority on November 21, 2018 and capital budget approved November 14, 2018. Amortization was not incorporated in the development of the budget and, as such, were not provided on the statement of changes in net financial assets. The chart below reconciles the approved budget to the budget figures reported in these financial statements:

	Budget Amount
Revenues	
Operating	
Approved budget	\$ 10,181,545
Capital	2,219,886
Less:	
Transfers from reserves	(653,535)
<b>Total revenues</b>	<b>11,747,896</b>
Expenses:	
Operating	
Approved budget	8,957,751
Capital	
Approved budget	2,219,886
Add:	
Amortization	864,071
Less:	
Tangible capital assets included in operating expense	(2,219,886)
Debt principal payments	(483,705)
<b>Total expenses</b>	<b>9,338,117</b>
<b>Annual surplus</b>	<b>\$ 2,409,779</b>

## 10. Contingencies:

The Authority is involved from time to time in litigation, which arises in the normal course of business. The exact outcome of these actions is not determinable as at the date of reporting. In respect of certain outstanding claims, the Authority believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in the accompanying financial statements.

## 11. Related party transactions:

During the year, the Authority incurred \$67,184 (2018 - \$75,568) in expenditures for per diems, honorariums, and mileage which was paid to and on behalf of members of the Board of Directors for the Authority.

# NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 12. Contractual rights:

The Authority has contractual rights under contract with various Ministry agencies to receive funds in exchange for services to be provided under those contracts. The Authority is expecting up to \$46,512 in future revenues based on anticipated services to be performed.

## 13. Segmented information:

The Authority provides a wide range of services which are categorized by department. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

### **CAO and Administration**

CAO and administration services is comprised of the administration services of the Authority.

### **Watershed**

The watershed department is the umbrella for three divisions dedicated to monitoring, regulating, protecting and improving the health and safety of our watersheds.

### **Corporate Resources**

The corporate resources department is the umbrella for three divisions dedicated to conservation land management, conservation land programming and development and managing the Authority's vehicles and equipment. Conservation land management is the administration department for the conservation areas. Conservation land programming and development is responsible for maintenance and improvements to the conservation areas. The vehicles and equipment department accounts for the cost of maintaining the vehicles and equipment.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Municipal levies have been allocated to the segments based upon budgeted levies for the segment. Interest earned on investments has been allocated to the corporate resources segment.

**NIAGARA PENINSULA CONSERVATION AUTHORITY**

Notes to Financial Statements (continued)

Year ended December 31, 2019, with comparative figures for 2018

**13. Segmented information (continued)**

<b>2019</b>				
	<b>CAO and Administration</b>	<b>Watershed</b>	<b>Corporate Resources</b>	<b>Total</b>
<b>Revenues:</b>				
MNRF transfers	\$ 15,200	\$ 74,883	\$ -	\$ 90,083
Government transfers	21,975	152,529	148,978	323,482
Municipal levies	1,754,956	1,207,344	4,088,785	7,051,085
User fees, sales and administration	-	-	2,148,195	2,148,195
Administration fees	-	401,000	-	401,000
Interest	-	-	214,063	214,063
Other	14,796	299,223	101,239	415,258
Gain on disposal	-	-	30,003	30,003
OPG - Welland river watershed	-	195,432	-	195,432
<b>Total revenues</b>	<b>1,806,927</b>	<b>2,330,411</b>	<b>6,731,263</b>	<b>10,868,601</b>
<b>Expenses:</b>				
Salaries and benefits	2,033,528	1,525,625	2,983,445	6,542,598
Materials and supplies	382,887	152,303	1,429,125	1,964,315
Contracted services	89,542	44,151	392,862	526,555
Professional fees	363,597	66,518	108,507	538,622
Rent and financial expenses	13,458	-	296,723	310,181
Debt service	-	-	27,980	27,980
Government transfer – levy differential	-	-	1,284,238	1,284,238
Amortization	185,764	79,711	598,596	864,071
<b>Total expenses</b>	<b>3,068,776</b>	<b>1,868,308</b>	<b>7,121,476</b>	<b>12,058,560</b>
<b>Annual surplus</b>	<b>\$ (1,261,849)</b>	<b>\$ 462,103</b>	<b>\$ (390,213)</b>	<b>\$ (1,189,959)</b>

<b>2018</b>				
	<b>CAO and Administration</b>	<b>Watershed</b>	<b>Corporate Resources</b>	<b>Total</b>
<b>Revenues:</b>				
MNRF transfers	\$ 29,496	\$ 145,000	\$ -	\$ 174,496
Government transfers	32,765	152,008	214,970	399,743
Municipal levies	2,143,418	1,112,380	5,242,487	8,498,285
User fees, sales and administration	-	-	1,936,971	1,936,971
Administration fees	-	417,690	-	417,690
Interest	-	-	155,013	155,013
Other	4,945	213,082	483,026	701,053
<b>Total revenues</b>	<b>2,210,624</b>	<b>2,040,160</b>	<b>8,032,467</b>	<b>12,283,251</b>
<b>Expenses:</b>				
Salaries and benefits	1,159,600	1,165,195	2,949,576	5,274,371
Materials and supplies	445,288	125,037	1,331,529	1,901,854
Contracted services	63,416	40,641	212,336	316,393
Professional fees	172,140	147,093	192,992	512,225
Rent and financial expenses	15,621	-	298,847	314,468
Debt service	-	-	63,691	63,691
Amortization	163,270	79,711	580,080	823,061
<b>Total expenses</b>	<b>2,019,335</b>	<b>1,557,677</b>	<b>5,629,051</b>	<b>9,206,063</b>
<b>Annual surplus</b>	<b>\$ 191,289</b>	<b>\$ 482,483</b>	<b>\$ 2,403,416</b>	<b>\$ 3,077,188</b>

# NIAGARA PENINSULA CONSERVATION AUTHORITY

Notes to Financial Statements (continued)

Year ended December 31, 2019, with comparative figures for 2018

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## 14. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted for the current year. There is no impact to accumulated surplus as a result of the reclassification.

## 15. Subsequent event

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows and/or debt balances, which may also have a direct impact on the Authority's operating results and financial position in the future. The situation is dynamic and the ultimate duration is unknown.

# Niagara Peninsula Conservation Authority

Audit Findings Report  
for the year ended  
December 31, 2019

April 29, 2020

[kpmg.ca/audit](http://kpmg.ca/audit)



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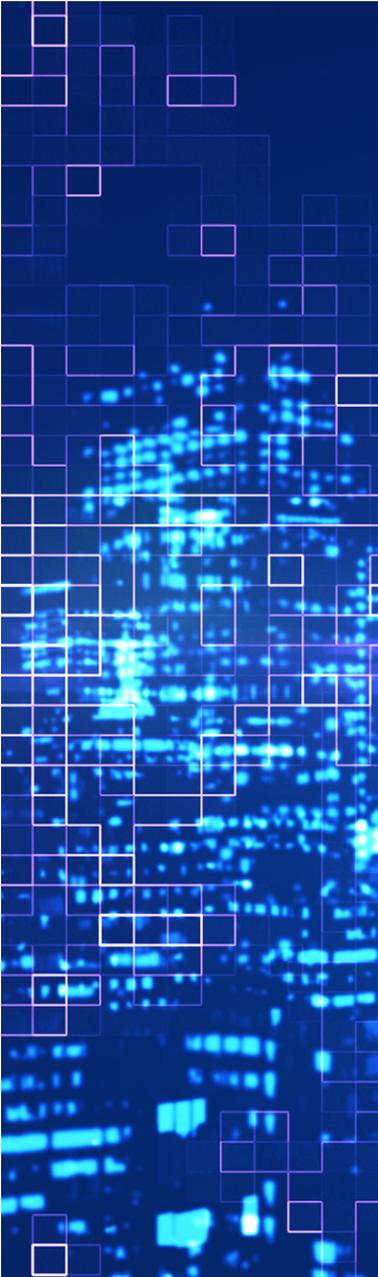
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# Executive summary

## Purpose of this report\*

The purpose of this Audit Findings Report is to assist you, as a member of the audit and budget committee, in your review of the results of our audit of the financial statements as at and for the year ended December 31, 2019.

## Financial impact of COVID-19

We discussed the financial impact of COVID-19 on the operations of the Authority with management, and the Corporation's response to the pandemic. Due to the uncertainty of the future financial impact of the Corporation, management has added a subsequent event note in the notes to the financial statements. Refer to page 14 for additional information.

## Finalizing the Audit

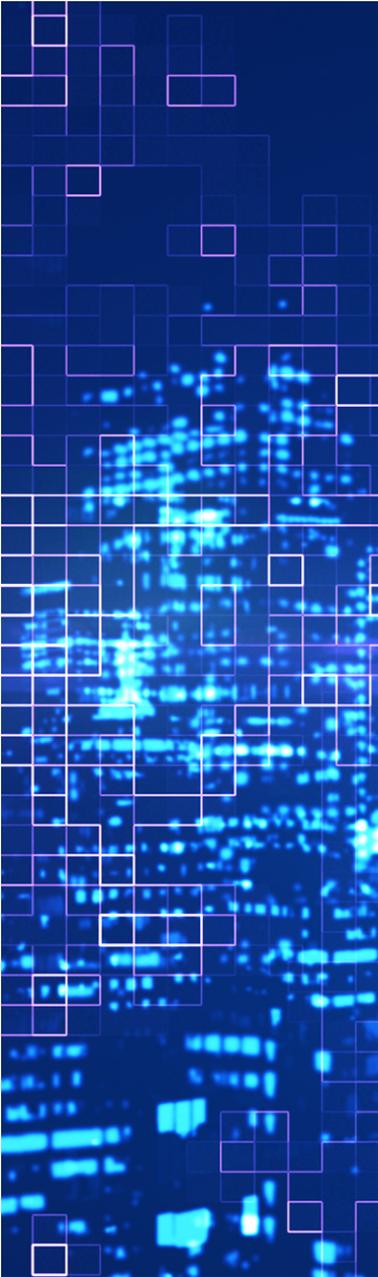
As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Obtaining receipt of signed management representation letter
- Completing our discussions with the audit and budget committee
- Obtaining evidence of the Board's approval of the financial statements

We will update the audit and budget committee, and not solely the Chair (as required by professional standards), on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

\*This Audit Findings Report should not be used for any other purpose or by anyone other than the Audit and Budget Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.





# Executive summary

## **Audit risks and results**

We have summarized our findings with respect to required auditing risks and key areas of audit focus.  
See pages 3-6

## **Significant accounting policies and practices**

The Authority adopted PSAB 3430, Restructuring Transactions, effective January 1, 2019. There were no transitional impacts to report as a result of adoption of the standard. Refer to page 15 for additional insights into upcoming PSAB changes.

## **Independence**

We are independent and have extensive quality control and conflict checking processes in place. We provide complete transparency on all services and follow Audit Committee approved protocols.

## **Control and other observations**

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.  
We have identified other observations to bring to your attention.  
See page 13.



# Audit risks and results

We highlight our significant findings in respect of financial reporting risks required to be addressed in each and every audit under Canadian Auditing Standards.

## Significant financial reporting risks Why is it significant?

<b>Fraud risk from revenue recognition</b>	This is a presumed fraud risk. We have rebutted this risk with respect to revenue recognition.
--	---

## Our response and significant findings

We exercise professional judgment to rebut the presumed risk of fraud in revenue recognition after we consider and evaluate the facts and circumstances of the audit. We have rebutted the fraud risk over revenue recognition. There are limited perceived opportunities to commit fraud and NPCA revenue sources require very minimal judgment. We have rebutted this fraud risk as it is not applicable to NPCA where performance is not measured based on earnings and a significant portion of revenues can be agreed directly to municipal funding support.

## Significant financial reporting risks Why is it significant?

<b>Fraud risk from management override of controls</b>	This is a presumed fraud risk.
--	--------------------------------

## Our response and significant findings

Our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions.

Data & Analytics tools were used to perform work in this area including testing of journal entries. We have not identified any instances of management override of controls as a result of our procedures performed.



# Audit risks and results

Significant findings from the audit regarding other areas of focus are as follows:

Other area of focus	Why are we focusing here?
Grant Revenue and Deferred Contributions	Risk of material misstatement related to the completeness, existence and accuracy of grant revenue including related deferred liabilities.

## Our response and significant findings

Substantive approach to revenue using third party grant funding agreements and related expenditures to ensure completeness and accuracy of revenue recorded.

Substantive approach over deferred revenue to ensure appropriate timing and revenue recognition.

Substantive approach over municipal levies in accordance with the approved budgets including review of approval of levy differential repayment.

No significant findings to report as a result of these procedures.

Other area of focus	Why are we focusing here?
Authority Generated Revenue	Risk of material misstatement related to the accuracy of authority generated revenue.

## Our response and significant findings

Substantive procedures to select samples for the testing of authority generated revenues.

Revenues across various revenue streams were agreed to supporting documentation and bank deposits.

No significant findings to report as a result of these procedures.





# Audit risks and results

Other area of focus	Why are we focusing here?
Payroll expenditures (including Payroll Accruals)	Risk of material misstatement related to the completeness and accuracy of payroll expenditures.

## Our response and significant findings

Substantive approach to testing payroll expenditures including testing of employee headcount.

Review of settlements and ensured appropriate accounting treatment and disclosure

No significant findings to report as a result of these procedures.

Other area of focus	Why are we focusing here?
Tangible Capital Assets (TCA)	Risk of material misstatement related to the completeness, accuracy and classification of tangible capital assets.

## Our response and significant findings

Statistical sampling technique used to select samples for testing additions to TCA in the current year and assess capitalization in accordance with Public Sector Accounting Standards.

Vouching contributed tangible capital assets to ensure appropriate valuation.

We also had discussions with management surrounding impairment and contaminated sites and concurred with management's assessment that there are no impaired tangible capital assets and no contaminated sites in accordance with Public Sector Accounting Standards.

No significant findings to report as a result of these procedures.

# Materiality

Materiality determination	Comments	Amount
<b>Materiality</b>	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. The corresponding amount for the prior year's audit was \$250,000.	\$260,000
<b>Benchmark</b>	Based on preliminary 2019 revenues. This benchmark is consistent with the prior year.	\$10,286,482
<b>% of Benchmark</b>	The corresponding percentage for the prior year's audit was 2%	2.5%
<b>[Audit Misstatement Posting Threshold (AMPT)]</b>	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the previous year's audit was \$12,500.	\$13,000

Materiality is used to scope the audit, identify risks of material misstatements and evaluate the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors.

To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality.

**We will report to the Board:**

-  Corrected audit misstatements
-  Uncorrected audit misstatements

# Technology in the audit

We have utilized technology to enhance the quality and effectiveness of the audit.

Areas of the audit where Technology and D&A routines were used	
Tool	Our results and insights
<b>KPMG Clara Client Collaboration</b>	KCCC is our secure audit platform and a one-stop shop through which we plan, execute and manage the audit, providing you with real-time access to the process at every step, including exchange of information and access to the real-time reporting you need in one central location.
<b>Journal Entry Analysis</b>	Our journal entry tool assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.
<b>KPMG DataShare - Data Extraction &amp; Analytics Tools</b>	Our data extraction tools assist with risk assessment procedures and perform automated audit procedures in key cycles using data extracted directly from your ERP system.



# Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Authority's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.

We also highlight the following:

**Form, arrangement, and content of the financial statements**

The financial statements are, in all material respects, in accordance with Canadian Public Sector Accounting Standards. The disclosures in the financial statements are adequate.

**Application of accounting pronouncements issued but not yet effective**

No concerns at this time regarding future implementation. Please refer to page 15 for updates on current developments.

# Adjustments and differences



**Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.**

Professional standards require that we request of management and the audit committee that all identified adjustments or differences be corrected. We have already made this request of management.

## Corrected adjustments

The management representation letter includes all adjustments identified as a result of the audit, communicated to management and subsequently corrected in the financial statements.

## Uncorrected differences

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which disclose the impact of all uncorrected differences considered to be other than clearly trivial.

# Adjustments and differences - Uncorrected



Based on both qualitative and quantitative considerations, management have decided not to correct certain differences and represented to us that the differences —individually and in the aggregate—are, in their judgment, not material to the financial statements.

As at and year ended December 31, 2019 Description of differences	Income effect (Decrease) Increase	Financial position		
		Assets (Decrease) Increase	Liabilities (Decrease) Increase	Accumulated Surplus (Decrease) Increase
To carry forward prior year vacation accrual uncorrected from 2018 (net impact in 2019)	24,454	–	–	(24,454)
To clear historical salary accruals that have settled as of 2019	44,954	–	(44,954)	–
<b>Total uncorrected differences</b>	<b>69,408</b>	<b>–</b>	<b>(44,954)</b>	<b>(24,454)</b>

We concur with management's representation that the differences are not material to the financial statements. Accordingly, the differences have no effect on our auditors' report.



# Adjustments and differences - Corrected



As at and year ended December 31, 2019 Description of differences	Income effect (Decrease) Increase	Financial position		
		Assets (Decrease) Increase	Liabilities (Decrease) Increase	Accumulated Surplus (Decrease) Increase
To record the repayment made to the Niagara Region – levy differential	(1,284,238)	–	–	1,284,238
To recognize deferred revenue on eligible expenses - OPG funds	195,432	–	(195,432)	–
To accrue for salary continuance approved in the current year	(481,956)	–	481,956	–
<b>Total corrected differences</b>	<b>(1,570,762)</b>	<b>–</b>	<b>286,524</b>	<b>1,284,238</b>

We concur with management's representation that the differences are not material to the financial statements. Accordingly, the differences have no effect on our auditors' report.



# Other observations



Item	Observation
Employee future benefits	<p>We understand that the Authority provides certain health and dental benefits to a closed group of employees upon early retirement up to age 65. Under Public Sector Accounting Standards, it is assumed that management uses an actuarial valuation to determine the estimate of the liability as at year-end. The Authority’s current practice is to estimate the liability, in-house, based on known monthly premium costs.</p> <p>While not a significant estimate to the financial statements of the Authority, we recommend, at a minimum, that the estimation methodology be updated to include relevant assumptions such as a discount rate to present value the liability and a health care claim trend rate factor to account for inflation of the costs.</p> <p>We completed a sensitivity analysis on the liability factoring in these significant assumptions and found no material differences.</p>
Segregation of Duties – Payroll Changes	<p>During the 2019 audit, we identified the ability for the Manager of Human Resources to enter new hire personnel information into the HR system, with no formal review or approval aside from email approvals from the hiring team and corresponding supervisor. The Manager of Human Resources (“HR”), up until the fall of 2019, had the ability to make changes to, and approve payroll rate changes within the system for all levels without a secondary level of review through a formal process.</p> <p>We did not identify any specific instances or issues as a result of our audit testing. We understand that as of the fall of 2019, a business analyst was hired and the payroll and HR functions separated to enhance segregation of duties regarding HR practices and payroll matters. Furthermore, the Director of Corporate Services is now acting as a secondary level of review for all payroll related matters.</p> <p>We will review this enhanced process during our 2020 year-end audit and report back to the committee on any relevant findings.</p>



# COVID-19 Response and Resources

The rapid advancement of COVID-19 has left many businesses assessing cash flow requirements, resource capacity, staffing levels, and business continuity plans while adapting to new ways of work and managing customer and shareholder expectations. The immediate change in time-of-use pricing outside the usual timing for updating rates further highlight the ever-changing impact of COVID-19. This is no doubt an unprecedented and challenging time. We are here to help. Should you require any further information do not hesitate to reach out. Please visit [KPMG’s COVID-19 Insights](#) for up-to-date information.

Thought Leadership	Overview	Links
<b>COVID-19 Podcasts</b>	KPMG is releasing a series of podcasts aimed at discussing relevant and important topics as COVID-19 continues to evolve on matters ranging from tax (HST), cash flow strategy and insurance considerations.	<a href="#">Please reach out to us and we would be happy to share the podcasts with you as they become available</a>
<b>Business Continuity Guide</b>	For many businesses, a continuity plan to minimize disruption is just simply not available or adequate. KPMG has compiled a series of business continuity insights to help businesses across all sectors stay on course.	<a href="#">Link to report</a>
<b>Legal considerations</b>	For everything employee, HR, contracts and credit discussions, KPMG’s in-house legal counsel have summarized key information to consider in your decision making.	<a href="#">Link to report</a>
<b>The Board’s perspective</b>	COVID-19 response and assessment does not stop at management. The Board must be involved in assessing risks, impacts, and future operations. The Board must understand current implications while balancing long-term strategic goals and become more adaptive than ever.	<a href="#">Link to report</a>

# Current developments and audit trends

Public Sector Accounting Standards

Title	Details	Link
<b>Public Sector Update – connection series</b>	Public Sector Accounting Standards are evolving – Get a comprehensive update on the latest developments from our PSAB professionals. Learn about current changes to the standards, active projects and exposure drafts, and other items.	Contact your KPMG team representative to sign up for these webinars.  <a href="#">Public Sector Minute Link</a>

The following are upcoming changes that will be effective in future periods as they pertain to Public Sector Accounting Standards. We have provided an overview of what these standards are and what they mean to your financial reporting so that you may evaluate any impact to your future financial statements.

Standard	Summary and implications
<p><b>Asset Retirement Obligations</b>  (applicable for the year ending December 31, 2022 with a retrospective application effective December 31, 2020)</p>	<ul style="list-style-type: none"> <li>– A new standard has been approved that is effective for fiscal years beginning on or after April 1, 2021 (the Authority’s 2022 year- end).</li> <li>– The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs would be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area.</li> <li>– The ARO standard would require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability would be added to the historical cost of the asset and amortized over its useful life.</li> <li>– As a result of the new standard, the public sector entity would have to:                         <ul style="list-style-type: none"> <li>○ consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;</li> <li>○ carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements;</li> <li>○ begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.</li> </ul> </li> </ul>

Standard	Summary and implications
<b>Revenue</b>	<ul style="list-style-type: none"> <li>– A new standard has been approved that is effective for fiscal years beginning on or after April 1, 2022 (the Authority's 2023 year- end).</li> <li>– The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.</li> <li>– The standard notes that in the case of revenues arising from an exchange, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.</li> <li>– The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.</li> </ul>
<b>Financial Instruments and Foreign Currency Translation</b>	<ul style="list-style-type: none"> <li>– New accounting standards, PS3450 <i>Financial Instruments</i>, PS2601 <i>Foreign Currency Translation</i>, PS1201 <i>Financial Statement Presentation</i> and PS3041 <i>Portfolio Investments</i> have been approved by PSAB and are effective for years commencing on or after April 1, 2021 (the Authority's 2022 year-end).</li> <li>– Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the government's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable.</li> <li>– Hedge accounting is not permitted.</li> <li>– A new statement, the Statement of Re-measurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations.</li> <li>– Based on stakeholder feedback received, PSAB is considering certain scope amendments to PS 3450 <i>Financial Instruments</i>. An exposure draft with the amendments is expected to be issued in 2020. The proposed amendments are expected to include the accounting treatment of bond repurchases, scope exclusions for certain activities by the federal government, and improvements to the transitional provisions.</li> </ul>
<b>Employee Future Benefit Obligations</b>	<ul style="list-style-type: none"> <li>– PSAB has initiated a review of sections PS3250 <i>Retirement Benefits</i> and PS3255 <i>Post-Employment Benefits, Compensated Absences and Termination Benefits</i>. Given the complexity of issues involved and potential implications of any changes that may arise from this review, the project will be undertaken in phases. Phase I will address specific issues related to measurement of employment benefits. Phase II will address accounting for plans with risk sharing features, multi-employer defined benefit plans and sick leave benefits.</li> <li>– Three Invitations to Comment were issued and have closed. The first Invitation to Comment sought guidance on whether the deferral provisions in existing public sector standards remain appropriate and justified and the appropriateness of accounting for various components of changes in the value of the accrued benefit obligation and plan assets. The second Invitation to Comment sought guidance on the present value measurement of accrued benefit obligations. A third Invitation to Comment sought guidance on non-traditional pension plans.</li> <li>– The ultimate objective of this project is to issue a new employment benefits section to replace existing guidance.</li> </ul>

Standard	Summary and implications
<b>2019 – 2020 Annual Improvements</b>	<ul style="list-style-type: none"> <li>– PSAB adopted an annual improvements process to make minor improvements to the CPA Canada Public Sector Accounting (PSA) Handbook or Statements of Recommended Practices (other guidance).</li> <li>– The annual improvement process:               <ul style="list-style-type: none"> <li>○ clarifies standards or other guidance; or</li> <li>○ corrects relatively minor unintended consequences, conflicts or oversights.</li> </ul> </li> <li>– Major or narrow scope amendments to the standards or other guidance are not included in the annual improvement process.</li> </ul>
<b>Public Private Partnerships (“P3”)</b>	<ul style="list-style-type: none"> <li>– A taskforce was established in 2016 as a result of increasing use of public private partnerships for the delivery of services and provision of assets. The objective is to develop a public sector accounting standard specific to public private partnerships.</li> <li>– A Statement of Principles (“SOP”) was issued in August 2017 which proposes new requirements for recognizing, measuring and classifying infrastructure procured through a public private partnership. An Exposure Draft was issued in Q4 of 2019 with comments due in February, 2020.</li> <li>– The new standard proposes the following accounting treatment for P3 transactions:               <ul style="list-style-type: none"> <li>– The infrastructure would be valued at cost, with a liability of the same amount if one exists. Cost would be measured by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.</li> <li>– Public private partnership infrastructure is recognized as an asset when the public sector entity acquires control of the infrastructure. A liability is recognized when the asset is recognized and may be a financial liability, a performance obligation or a combination of both.</li> <li>– An infrastructure asset acquired in an exchange transaction is recorded at cost which is equal to its fair value on the measurement date. The liability is measured at the cost of the infrastructure asset initially recognized. Subsequently, the infrastructure asset is amortized in a rational and systematic manner over its useful life. Subsequently measurement of the financial liability would reflect the payments made by the public sector entity to settle the liability as well as the finance charge passed on to the public sector entity through the public private partnership agreement. Subsequent measurement of the performance obligation</li> </ul> </li> <li>– Revenues are recognized and the liability reduced in accordance with the substance of the public private partnership agreement</li> </ul>

Standard	Summary and implications
<b>Concepts Underlying Financial Performance</b>	<ul style="list-style-type: none"> <li>– PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards.</li> <li>– PSAB is developing two exposure drafts (one for a revised conceptual framework and one for a revised reporting model) with two accompanying basis for conclusions documents and resulting consequential amendments. PSAB expects to issue the two exposure drafts and accompanying documents in 2020.</li> <li>– A Statement of Concepts (“SOC”) and Statement of Principles (“SOP”) were issued for comment in May 2018.</li> <li>– The SOC proposes a revised, ten chapter conceptual framework intended to replace PS 1000 <i>Financial Statement Concepts</i> and PS 1100 <i>Financial Statement Objectives</i>. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced.</li> <li>– The SOP includes principles intended to replace PS 1201 <i>Financial Statement Presentation</i>. The SOP proposes: <ul style="list-style-type: none"> <li>○ Removal of the net debt indicator, except for on the statement of net debt where it would be calculated exclusive of financial assets and liabilities that are externally restricted and/or not available to settle the liabilities or financial assets.</li> <li>○ Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).</li> <li>○ Restructuring the statement of financial position to present non-financial assets before liabilities.</li> <li>○ Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities).</li> <li>○ A new provision whereby an entity can use an amended budget in certain circumstances.</li> </ul> </li> <li>– Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.</li> </ul>



# Appendices



**Appendix 1: Required communications**



**Appendix 2: Audit Quality and Risk Management**

# Appendix 1: Required communications



In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:



### Auditors' report

The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.



### Management representation letter

In accordance with professional standards, copies of the management representation letter are provided to the Audit Committee.



[CPAB Audit Quality Insights Report \(October 2019\) \(formerly the "Big Four Firm Public Report"\)](#)  
[CPAB Annual Inspections Results \(March 2019\)](#)

# Appendix 2: Audit Quality and Risk Management



**KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.**

**Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the six key elements of our quality control system.**

Visit our [Audit Quality Resources page](#) for more information including access to our [Audit Quality and Transparency Report](#).

Other controls include:

- Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits
- Technical department and specialist resources provide real-time support to audit teams in the field

We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.

We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm’s standards of quality.

- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.



We do not offer services that would impair our independence.

The processes we employ to help retain and develop people include:

- Assignment based on skills and experience
- Rotation of partners
- Performance evaluation
- Development and training
- Appropriate supervision and coaching

We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.

Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.





[kpmg.ca/audit](https://kpmg.ca/audit)



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**Report To: Audit and Budget Committee**

**Subject: Financial Report – Q1 - 2020**

**Report No: A&BC 04-2020**

**Date: April 29, 2020**

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**Recommendation:**

**THAT** Report A&BC 04-2020 Respecting Financial Report – Q1 - 2020 **BE RECEIVED** for information.

**Purpose:**

The purpose of this Report is to provide the Audit and Budget Committee with a summary of operating and capital expenditures and to provide a comparison of actual results to the budget as approved by the Board.

**Discussion:**

The Report confirms the general financial oversight and compliance with Public Sector Accounting Board Standards.

Capital

The 2020 capital budget was presented and approved by both the Audit and Budget Committee (October 7, 2019) and the Full Authority Board (October 16, 2019). Approved projects break down by funding source as follows:

Niagara Region	\$1,884,006
City of Hamilton	1,955,870
Haldimand County	12,904
Total	\$3,852,780

Further to discussions with Niagara Region Finance staff in preparation for Council presentations, NPCA was advised that due to budget constraints, the special levy request to support 2020 capital projects could not be met. As a result of this constraint, NPCA staff reviewed each project in detail, and reduced the capital envelope for 2020 by \$1,002,125. This was accomplished largely by deferring projects to future years and/or phasing projects over several budget cycles. The revised capital portfolio for 2020 is outlined below. Additional information on individual projects is outlined in Appendix 2.

Service Area	Program	# Projects	Niagara Region	Niagara Not Accommodated	Niagara Revised	Hamilton	Haldimand	TOTAL
CAO/Board	Communications	2	27,036	27,036	-	7,317	647	35,000
Corporate Services	Asset Mgt/Capital Planning	1	23,174	-	23,174	6,271	555	30,000
	Information Mgt	5	134,794	74,542	60,252	36,479	3,227	174,500
	Integrated Watershed Mgt	2	162,216	154,492	7,725	43,900	3,884	210,000
	Balls Falls Connectivity	1	40,000	-	40,000	-	-	40,000
Land Operations	Balls Falls	4	305,000	180,000	125,000	-	-	305,000
	Binbrook	4	-	-	-	1,810,000	-	1,810,000
	Chippawa Creek	1	10,000	10,000	-	-	-	10,000
	Gainsborough	2	140,000	140,000	-	-	-	140,000
	Long Beach	3	430,000	168,360	261,640	-	-	430,000
	Equipment	1	176,337	77,246	99,091	47,721	4,222	228,280
Watershed	Water Control Structures	2	140,000	-	140,000	-	-	140,000
	Floodplain Mapping	3	195,000	70,000	125,000	-	-	195,000
	Gauge Stations	1	15,449	15,449	-	4,181	370	20,000
	Karst Mapping	1	50,000	50,000	-	-	-	50,000
	Water Quality Equip	1	35,000	35,000	-	-	-	35,000
	<b>TOTAL</b>	<b>34</b>	<b>1,884,006</b>	<b>1,002,125</b>	<b>881,881</b>	<b>1,955,870</b>	<b>12,904</b>	<b>3,852,780</b>

It should be noted that negotiations are ongoing with the City of Hamilton Finance staff relative to alternatives to finance significant capital pressures that could not be accommodated within the municipal special levy guidelines – total \$1,775,633.

### Financial Implications:

The Revenue and Expenditure lines are within budget allocations identified during the budget preparation and approval cycle.

### Related Reports and Appendices:

Appendix 1 – 2020 Operating Statement – Q1

Appendix 2 – Capital Projects 2020 - Q1

**Prepared by:**

**Submitted by:**

*Original Signed by:*

*Original Signed by:*

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Lise Gagnon, CPA, CGA  
Director, Corporate Services

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Chandra Sharma, MCIP, RPP  
Chief Administrative Officer/  
Secretary-Treasurer

**NIAGARA PENINSULA CONSERVATION AUTHORITY - CONSOLIDATED  
2020 OPERATING STATEMENT - Q1 - 2020**

Appendix 1 - Report No. A&BC-04-2020	Year to Date				Annual Budget	Comments
	Actual	Budget	Var AB	Var AB %		
<b>SOURCE OF FUNDS</b>						
Municipal Funding	31,394	1,448,129	1,416,735	97.83%	6,121,000	Timing - municipal levy received in April 2020 for Q1
Provincial Funding	26,560	85,292	58,732	68.86%	349,185	Timing - covid-19 delays in cash flow from Province
Federal Funding	50,000	22,473	-27,527	-122.49%	100,000	Timing - Fed cash flow front-ended
Park Operations	25,587	171,301	145,714	85.06%	2,016,850	Analytics in progress, in conjunction with pandemic impact/budget
Permits and Regulatory Fees	101,780	96,777	-5,003	-5.17%	387,108	OK
Other Revenue	86,162	97,896	11,734	11.99%	520,227	OK
<b>TOTAL REVENUES / SOURCE OF FUNDS</b>	<b>321,483</b>	<b>1,921,868</b>	<b>1,600,385</b>	<b>83.27%</b>	<b>9,494,370</b>	
<b>USE OF FUNDS</b>						
Salaries and Benefits	1,169,316	1,294,546	125,230	9.67%	6,141,278	Gapping of both vacant and growth positions
Other Employee Related Expenses	31,798	57,687	25,889	44.88%	235,892	Timing - calendarization of staff training costs
Board and Volunteer	1,074	17,800	16,726	93.97%	71,200	Per diems not processed; only 1 Board meeting in Q1
Professional Fees	59,560	162,373	102,813	63.32%	661,500	Underspending on legal fees; timing on lab analysis fees
Occupancy Costs	84,800	137,202	52,402	38.19%	548,803	Timing - calendarization of utilities and other variable costs
Vehicles and Equipment	43,032	40,128	-2,904	-7.24%	246,020	OK
Park Maintenance	52,974	62,910	9,936	15.79%	468,000	OK
Contractor Services	2,012	48,500	46,488	95.85%	194,000	Pandemic related delays
Debt Servicing	0	1,257	1,257	100.00%	5,030	OK
Cost and Expenses	68,609	68,442	-167	-0.24%	473,025	OK
Materials and Supplies	23,079	47,579	24,500	51.49%	196,622	Timing - calendarization inconsistencies
Marketing and Promotion	38,137	63,252	25,115	39.71%	253,000	Reduced marketing due to Pandemic
<b>TOTAL EXPENSES / USES OF FUNDS</b>	<b>1,574,391</b>	<b>2,001,676</b>	<b>427,285</b>	<b>21.35%</b>	<b>9,494,370</b>	

Niagara Peninsula Conservation Authority - 2020 CAPITAL PROJECTS

Appendix 2 - Report No. A&BC-04-2020

Project Name	Division	Location/Site	Classification	Priority Ranking	Municipality	Budget Carried Forward	Board Approved Budget 2020	YTD Spend at 31-DEC-2019	YTD Spend at 31-MAR-2020	Total Project Spend at 31-MAR-2020
<b>CAO/Board &amp; Admin</b>										
Multi-Media Equipment	CAO/Board & Admin	HQ - Welland	Operational Efficiency	4	ALL		\$ 10,000			
Signage - Pollinator Gardens	CAO/Board & Admin	Various	Strategic Initiative	3			\$ 25,000			
<b>Total - CAO/Board &amp; Admin</b>						\$ -	\$ 35,000	\$ -	\$ -	\$ -
<b>Corporate Services</b>										
Asset Management Capital Planning Program	Corporate Services	HQ - Welland	Operational Efficiency	5	ALL		\$ 30,000			\$ -
Data Centre Cyclical Server Refresh	Corporate Services	HQ - Welland	Asset Integrity – Proactive Replacement	4	ALL		\$ 23,000		\$ 10,180	\$ 10,180
Annual PC Replacements	Corporate Services	Various	Asset Integrity – Proactive Replacement	4	ALL		\$ 45,000	\$ -	\$ 14,629	\$ 14,629
Office Network Backup and Archive	Corporate Services	HQ - Welland	Operational Efficiency	4	ALL		\$ 6,500			\$ -
Phone System	Corporate Services	HQ - Welland	Asset Integrity – Imminent Breakdown	5	ALL		\$ 50,000			\$ -
Orthoimagery Acquisition - SWOOP	Corporate Services	HQ - Welland	Operational Efficiency	4	ALL		\$ 10,000			\$ -
Natural Areas ELC Mapping Update	Corporate Services	HQ - Welland	Operational Efficiency	4	ALL		\$ 200,000			\$ -
Balls Falls Internet Improvement & Infrastructure	Corporate Services	Balls Falls	Strategic Initiative	3	Niagara		\$ 40,000			\$ -
Board Microphones	Corporate Services	Balls Falls	Operational Efficiency	3	ALL		\$ 50,000			\$ -
<b>Total - Corporate Services</b>						\$ -	\$ 454,500	\$ -	\$ 24,809	\$ 24,809
<b>Watershed</b>										
OPG - Welland River Watershed (WS-2018-16)	Watershed					\$ 143,931	\$ -	\$ 195,432	\$ 9,555	\$ 204,987
Shriner's Creek Modifications	Watershed	Niagara Falls	Operational Efficiency	3	Niagara		\$ 80,000			\$ -
Flood Plain Mapping - Beaver Creek	Watershed	West Lincoln	Code Compliance and Legislation	4	Niagara		\$ 150,000			\$ -
Flood Plain Mapping - Grimsby/Lincoln	Watershed	Grimsby & Lincoln	Code Compliance and Legislation	4	Niagara		\$ 20,000		\$ 174	\$ 174
Flood Plain Mapping - St. Catharines	Watershed	St. Catharines	Code Compliance and Legislation	4	Niagara		\$ 25,000	\$ 63,921	\$ 1,759	\$ 65,680
Water Quality Equipment	Watershed	Pelham	Asset Integrity – Proactive Replacement	3	Niagara		\$ 35,000			\$ -
Virgil Dam Safety Study	Watershed	Niagara-on-the-Lake	Code Compliance and Legislation	4	Niagara		\$ 60,000			\$ -
Stream Gauge Equipment	Watershed	Various	Operational Efficiency	3	ALL		\$ 20,000			\$ -
Karst Hazard Mapping	Watershed	Various	Code Compliance and Legislation	4	ALL		\$ 50,000			\$ -
<b>Total - Watershed</b>						\$ 143,931	\$ 440,000	\$ 259,353	\$ 11,488	\$ 270,841
<b>Land Operations</b>										
Treetop Trekking Building & Amenities (BB-2019-21)	Land Operations	Binbrook					\$ 150,000	\$ 80,601	\$ 3,058	\$ 83,659
Binbrook - Septic System	Land Operations	Binbrook	Critical	5	Hamilton		\$ 1,500,000	\$ -	\$ 4,884	\$ 4,884
Water Treatment System Upgrades	Land Operations	Binbrook	Strategic Initiative	4	Hamilton		\$ 150,000			\$ -
Tyneside Trail Upgrades - Binbrook	Land Operations	Binbrook	Strategic Initiative	3	Hamilton		\$ 10,000			\$ -
Septic System Replacement Ball's Falls (BF-2017-09)	Land Operations	Balls Falls				\$ 70,000	\$ -	\$ 21,177	\$ 4,211	\$ 25,388
Field Centre Restoration	Land Operations	Balls Falls	Critical	5	Niagara		\$ 35,000			\$ -
Historical Building Restoration - Balls Falls	Land Operations	Balls Falls	Strategic Initiative	4	Niagara		\$ 100,000	\$ -	\$ 21,477	\$ 21,477
Road Upgrade & Drainage - North Side	Land Operations	Long Beach					\$ 232,000	\$ 23,074	\$ 130,985	\$ 154,059
North Side Comfort Station - Long Beach	Land Operations	Long Beach	Strategic Initiative	4	Niagara		\$ 110,000	\$ -	\$ 5,648	\$ 5,648
New Park Signage (CW-2019-37)	Land Operations	Various				\$ 50,000	\$ -	\$ 21,375	\$ 507	\$ 21,882
Equipment Sustainment - Land Operations	Land Operations	Various	Asset Integrity – Proactive Replacement	4	ALL		\$ 228,280		\$ 56,477	\$ 56,477
Cistern - Gainsborough	Land Operations	Gainsborough	Operational Efficiency	4	Niagara		\$ 40,000	\$ -	\$ 2,908	\$ 2,908
Workshop Upgrades - Gainsborough	Land Operations	Gainsborough	Asset Integrity – Proactive Replacement	4	Niagara		\$ 100,000		\$ 34,306	\$ 34,306
Centre for Conservation - Gallery Upgrades	Land Operations	Balls Falls	Strategic Initiative	3	Niagara		\$ 80,000			\$ -
Septic Design & Scope - Chippawa Creek	Land Operations	Chippawa Creek	Code Compliance and Legislation	3	Niagara		\$ 10,000			\$ -
Barn - Wedding Updates	Land Operations	Balls Falls	Strategic Initiative	4	Niagara		\$ 90,000			\$ -
Electrical and Water (Ridge) - Long Beach	Land Operations	Long Beach	Strategic Initiative	4	Niagara		\$ 88,000			\$ -
<b>Total - Land Operations</b>						\$ 120,000	\$ 2,923,280	\$ 146,227	\$ 264,461	\$ 410,688
<b>GRAND TOTAL</b>	<b>ALL DIVISIONS</b>					\$ 263,931	\$ 3,852,780	\$ 405,580	\$ 300,757	\$ 706,338

**Report To: Board of Directors**

**Subject: Audit and Budget Committee Terms of Reference and 2020 Work Plan**

**Report No: A&BC-06-20**

**Date: April 29, 2020**

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**Recommendation:**

1. **THAT** Report No. A&BC-06-20 RE: Audit and Budget Committee Terms of Reference and 2020 Work Plan **BE RECEIVED** for information.
2. **THAT** the proposed changes to the Audit and Budget Committee Terms of Reference attached as Appendix 1 to Report No. A&BC-06-20 **BE APPROVED**.
3. **THAT** the 2020 Audit and Budget Committee Work Plan attached as Appendix 2 to Report No. A&BC-06-20 **BE APPROVED**.
4. **THAT** the final Audit and Budget Committee Terms of Reference **BE APPENDED** to the updated NPCA Administrative By-Law to be presented for Board approval in 2020;
5. **AND FURTHER THAT** until the approval of the updated Administrative By-Law and associated Terms of Reference, the Audit and Budget Committee **CONTINUE** to conduct its business per existing Terms of Reference dated September 18, 2019.

**Purpose:**

The purpose of this report is two-fold, firstly to present the revised draft of the Terms of Reference to the Audit and Budget for approval and inclusion within the revised Administrative By-law to be presented to Board for approval in Fall of 2020. The second purpose of this report is to present the draft 2020 Work Plan to the Audit and Budget Committee for adoption by the Committee.

**Background:**

Terms of Reference

The existing Terms of Reference were approved with updates on September 18, 2019. The business of the Committee has evolved requiring further clarity of its purpose and responsibilities.

Further to this, the Terms of Reference for all NPCA Committees need to be integrated with the Administrative By law scheduled to be updated in the fall of 2020. This offers an opportunity to revisit and update all Standing Committees.

The suggested updates to the Audit and Budget Committee Terms of Reference are provided as a redline version in Appendix 1, the highlights of which are noted as follows:

- The name of the Committee is proposed to be changed from the Audit and Budget Committee to the Finance Committee;
- More clarity and details have been provided around finance, audit, budget and other roles such a risk management oversight; and
- More structure around number of meetings aligned with a robust work plan.

### **Discussion:**

The 2020 Audit and Budget Committee Work Plan forms a key component of the financial reporting, planning and control structures of the organization, and identifies key priority initiatives required in the year ahead. Additionally, the Work Plan outlines how implementation of this work will be monitored against major deliverables and the Key Performance Indicator (KPI) framework.

### **Financial Implications:**

None.

### **Links to Policy/Strategic Plan:**

Adoption of the Audit and Budget Committee Terms of Reference and 2020 Work Plan ties in with the NPCA Mission Statement's objective to:

*"To implement our Conservation Authorities Act mandate by remaining a responsive, innovative, accountable and financially sustainable organization."*

### **Related Reports and Appendices:**

Appendix 1: Audit and Budget Committee Terms of Reference (Draft)

Appendix 2: 2020 Audit and Budget Committee Work Plan (Draft)

#### **Authored by:**

*Original Signed by:*

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Grant Bivol,  
Executive Co-ordinator to the C.A.O. / Board

#### **Submitted by:**

*Original Signed by:*

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Chandra Sharma, MCIP, RPP  
Chief Administrative Officer/Secretary-  
Treasurer

# Niagara Peninsula Conservation Authority

## TERMS OF REFERENCE

### ~~AUDIT AND BUDGET~~ FINANCE COMMITTEE

Date of Committee Review – April 15, 2019

Date of Board Approval – April 17, 2019

Draft Revised – September 18, 2019

Date of Committee Review-April 29, 2020

Committee Type: Standing Committee (NPCA By-Law Section 4.4 xxxx)

#### Committee Purpose and Role: ~~and Scope:~~

The purpose of the Committee is to assist the Board of Directors in the provision of effective oversight of prudent financial management including: annual budgets, audit, reporting, risk management and associated policies.

The Board of Directors delegates the following powers to the Standing Committee and reserves the right to delegate any other powers as the Board of Directors determines appropriate, such that in keeping with the Board of Directors Administrative By-law and the Conservation Authority Act.

Should the timing be such that staff is unable to report to the Finance Committee on the matters listed below. Staff may report to the Board of Directors instead.

Key roles and responsibilities include:

The Audit and Budget Committee assists the Board of Directors in the provision of effective oversight of prudent fiscal management, by overseeing annual budget preparations, and annual review of the Audited Financial Statements. Specifically, key responsibilities include:

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#### 1.0 Financial

1.1. Ensure fiscally responsibility and sound Financial Management including:

1.1.1 Quarterly financial reports comparing revenues and expenditures against budget;

1.1.2 -Review and recommendation on banking and investment procedures and policies;

1.1.3 Ensure adequate controls are in place to safeguard the Authority's assets;



NIAGARA PENINSULA  
CONSERVATION  
AUTHORITY

Updated: ~~09/18/20~~ 09/18/20

- 1.1.4 Adequacy of insurance coverage maintained by the Authority; and
- 1.1.5 Compliance with legislation and regulatory requirements.

**2.0 Budgets**

- 2.1 Review and make recommendation to the Board of Directors on all matters relating to NPCA Budgets (capital and operating), including but not limited to:
  - 2.1.1. Budget guidelines;
  - 2.1.2 Annual and multi-year business plans and budgets;
  - 2.1.3. Approval and disposition of surplus project funds; and
  - 2.1.4 Allocation of reserves.

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**3.0 Audit**

- 3.1 Provide oversight of financial audit, reporting, and recommendation to the Board:
  - 3.1.1 Review the Authority's draft audited financial statements and the auditor's report;
  - 3.1.2 Meet with the auditor to review the audit opinion and risks associated with adverse financial impact; and
  - 3.1.3 Review and recommend the auditors' appointment or reappointment, terms of engagement and compensation.

~~4.0~~ 3.1.4 Review effectiveness of corporate performance reporting systems and provide recommendation for improvement, as required;

~~5.0~~ 3.1.5 Review the Authority's risk management framework and mitigation plans;

~~6.0~~ 3.1.6 All other such matters as may be prescribed by regulation, policy or NPCA's Chief Administrative Officer

Key Responsibilities	
1	<ul style="list-style-type: none"> <li>• Reviewing financial accounting, reporting, and internal controls</li> </ul>
2	<ul style="list-style-type: none"> <li>• Ensuring adequate controls are in place to safeguard the Authority's assets</li> </ul>



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3	<ul style="list-style-type: none"> <li>Reviewing of Risk Assessments and Risk Mitigation Plans</li> </ul>
4	<ul style="list-style-type: none"> <li>Ensuring compliance with legal, ethical and regulatory requirements and standards</li> </ul>
5	<ul style="list-style-type: none"> <li>Reviewing the annual budget approvals process, recommending general guidance to be used in preparing annual estimates, and reviewing draft budgets for presentation to the Board of Directors</li> </ul>
6	<ul style="list-style-type: none"> <li>Reviewing annual Audited Financial Statements, meeting with the NPCA's external Auditor and recommending the Statements to the Board of Directors for consideration</li> </ul>
7	<ul style="list-style-type: none"> <li>Recommending approval of the appointment, re-appointment or replacements of external auditors to the Board of Directors.</li> </ul>
8	<ul style="list-style-type: none"> <li>Reviewing the effectiveness of corporate reporting systems regarding administrative, program performance and the level of compliance with legislation, regulations, corporate objectives, policies and ethics and providing recommendations for improvements, as required</li> </ul>

**7.0 Committee Authority and Decision Making:**

Reports and recommendations will be made by the Committee members and Committee minutes will be sent to the Board of Directors for review and approval.

Committee will be governed by NPCA Administrative By-Law and Code of Conduct

Recommendations made by the Committee will be sent to the Board of Directors for review and approval.

**8.0 Membership:**

The Committee will have a minimum of five (5) members, generally appointed by the Board of Directors at each Annual Meeting (or a subsequent meeting), and will include

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the Chair and Vice Chair in an ex-officio, ~~non-voting~~ capacity. ~~Members can be added to the Committee upon approval of the Board of Directors throughout the year.~~

**9.0 Committee Meetings Requirements:**

~~The meeting schedule for the Finance Committee shall be approved annually by the Board of Directors for the upcoming year. The Committee shall meet a minimum of four times per year. Additional meetings can be held. Meetings will be held at the call of the Committee Chair.~~

Agendas will be prepared by staff with the approval of the Committee Chair and circulated five days in advance of the Committee meeting and posted on the NPCA website. Minutes will be prepared by staff and distributed to the Committee members and staff prior to the next meeting. ~~Minutes will be forwarded to the Board of Directors for approval.~~

~~The Committee will operate openly with the aim of arriving at recommendations through consensus. However, votes may be called by the Committee Chair to advance the agenda. Results of the discussion will be reflected in the minutes.~~

**10.0 Meeting Location:**

Meetings will be at the NPCA Head Office (250 Thorold Road West, Welland), Ball's Falls Conservation Area, or at a location determined by the Committee Chair.

**Resources/Budget:**

~~The work will be done by the Committee, NPCA staff and any duly procured and authorized consultant. Costs will be discussed by the Committee and if required, taken to the Board of approval.~~

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# Niagara Peninsula Conservation Authority

## TERMS OF REFERENCE

## FINANCE COMMITTEE

Date of Committee Review – April 15, 2019

Date of Board Approval – April 17, 2019

Draft Revised – September 18, 2019

Date of Committee Review – April 29, 2020

**Committee Type: Standing Committee (NPCA By-Law Section 4.4)**

### Committee Purpose and Role:

The purpose of the Committee is to assist the Board of Directors in the provision of effective oversight of prudent financial management including; annual budgets, audit, reporting, risk management and associated policies.

The Board of Directors delegates the following powers to the Standing Committee and reserves the right to delegate any other powers as the Board of Directors determines appropriate, such that in keeping with the Board of Directors Administrative By-Law and the Conservation Authorities Act.

Should the timing be such that staff is unable to report to the Finance Committee on the matters listed below, staff may report to the Board of Directors instead.

Key roles and responsibilities include:

### 1.0 Financial

- 1.1 Ensure fiscally responsibility and sound Financial Management including:
  - 1.1.1 Quarterly financial reports comparing revenues and expenditures against budget;
  - 1.1.2 Review and recommendation on banking and investment procedures and policies;
  - 1.1.3 Ensure adequate controls are in place to safeguard the Authority's assets;
  - 1.1.4 Adequacy of insurance coverage maintained by the Authority; and
  - 1.1.5 Compliance with legislation and regulatory requirements.

## 2.0 Budgets

- 2.1** Review and make recommendations to the Board of Directors on all matters relating to NPCA Budgets (capital and operating), including but not limited to:
- 2.1.1 Budget Guidelines;
  - 2.1.2 Annual and multi-year business plans and budgets;
  - 2.1.3 Approval and disposition of surplus project funds; and
  - 2.1.4 Allocation of reserves.

## 3.0 Audit

- 3.1** Provide oversight of financial audit reporting, and recommendations to the Board;
- 3.1.1 Review the Authority's draft audited financial statements and the auditor's report;
  - 3.1.2 Meet with the auditor to review the audit opinion and risks associated with adverse financial impact;
  - 3.1.3 Review and recommend the auditors appointment or reappointment, terms of engagement and compensation;
  - 3.1.4 Review effectiveness of corporate performance reporting systems and provide recommendation for improvement as required;
  - 3.1.5 Review the Authority's risk management framework and mitigation plans;
  - 3.1.6 All other such matters as may be prescribed by regulation, policy or NPCA's Chief Administrative Officer.

### Committee Authority and Decision Making:

Committee will be governed by NPCA Administrative By-Law and code of Conduct. Recommendations made by the Committee will be sent to the Board of Directors for review and approval.

### Membership:

The Committee will have a minimum of five (5) members, generally appointed by the Board of Directors at each Annual Meeting (or subsequent meeting) and will include the Chair and Vice Chair in an ex-officio capacity.

### Committee Meeting Requirements:

The meeting schedule for the Finance Committee shall be approved annually by the Board of Directors for the upcoming year. The Committee shall meet a minimum of four times per year. Additional meetings can be held at the call of the Committee Chair.

Agendas will be prepared by staff with the approval of the Committee Chair and circulated five days in advance of the Committee meeting and posted on the NPCA website. Minutes will be prepared by staff and distributed to the Committee members and staff prior to the next meeting.



## Meeting Location:

Meetings will be at the NPCA Head Office (250 Thorold Road West, Welland), Ball's Falls Conservation Area, or at a location determined by the Committee Chair.



Niagara Peninsula Conservation Authority

Audit and Budget Committee Annual Work Plan - 2020

DRAFT	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
	JAN-2020	FEB-2020	MAR-2020	APR-2020	MAY-2020	JUN-2020	JUL-2020	AUG-2020	SEP-2020	OCT-2020	NOV-2020	DEC-2020
Audit and Budget Committee			12-Mar	29-Apr			pending			pending		
Full Authority Board		19-Feb		16-Apr	21-May	17-Jun	15-Jul		16-Sep	21-Oct	18-Nov	16-Dec
<b>1. Terms of Reference and Audit Work Plan</b>												
a) Annual review of terms of reference and work plan				X								
b) Terms of Reference and Workplan to the Board for approval					X							
<b>2. External Audit</b>												
a) Review audit engagement and audit approach												
b) Recommend to the Board the appointment of external auditor and remuneration				X								
c) Review draft audited financial statements and Audit Findings Report					X							
b) Recommend to the Board the approval of draft audited financial statements												
<b>3. Reporting</b>												
a) Review quarterly results, variance reports and projections - 2020 - Q1 - Committee				X								
Review quarterly results, variance reports and projections - 2020 - Q1 - Board					X							
b) Review quarterly results, variance reports and projections - 2020 - Q2 - Committee							X					
Review quarterly results, variance reports and projections - 2020 - Q2 - Board								X				
c) Review quarterly results, variance reports and projections - 2020 - Q3 - Committee									X			
Review quarterly results, variance reports and projections - 2020 - Q3 - Board										X		
d) Report on banking and investments	February 2021 - capture 12 months of activity (2020)											
e) Report on procurement: sole sourcing, emergency purchases, unsolicited proposals	February 2021 - capture 12 months of activity (2020)											
<b>4. Operating and Capital Budgets</b>												
a) 2021 Operating and Capital budget assumptions - Committee							X					
2021 Operating and Capital budget assumptions - Board								X				
b) 2021 Draft Operating and Capital budgets - Committee									X			
2021 Draft Operating and Capital budgets - Board										X		
<b>5. Corporate Policies and Procedures</b>												
a) Procurement Policy - Committee review and approval			X									
Procurement Policy - Board review and approval				X								
b) Delegation of Authority Policy - Committee review and approval			X									
Delegation of Authority Policy - Board review and approval				X								
c) Reserves Policy - Committee review and approval							X					
Reserves Policy - Board review and approval								X				
d) Banking and Cash Management Policy - Committee review and approval							X					
Banking and Cash Management Policy - Board review and approval								X				
e) Tangible Capital Assets Policy - Committee review and approval										X		
Tangible Capital Assets Policy - Board review and approval											X	
f) Capital Planning Policy - Committee review and approval										X		
Capital Planning Policy - Board review and approval											X	

Niagara Peninsula Conservation Authority

**Audit and Budget Committee Annual Work Plan - 2020**

<b>DRAFT</b>	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
	JAN-2020	FEB-2020	MAR-2020	APR-2020	MAY-2020	JUN-2020	JUL-2020	AUG-2020	SEP-2020	OCT-2020	NOV-2020	DEC-2020
Audit and Budget Committee			12-Mar	29-Apr			pending			pending		
Full Authority Board		19-Feb		16-Apr	21-May	17-Jun	15-Jul		16-Sep	21-Oct	18-Nov	16-Dec
g) Investments Policy - Committee review and approval Investments Policy - Board review and approval							X		X			
h) Operating Loans and Borrowing Policy - Committee review and approval Operating Loans and Borrowing Policy - Board review and approval										X	X	
i) Capital Debt Policy - Committee review and approval Capital Debt Policy - Board review and approval										X	X	
j) Risk Management/Insurance Policy - Committee review and approval Risk Management/Insurance Policy - Board review and approval										X	X	
<b>6. Committee Performance</b>												
a) Evaluation and review of Committee performance	February 2021 - capture 12 months of activity (2020)											
<b>7. Other</b>												
a) Review of insurance coverage										X		
<b>7. Mid and Long Term Objectives</b>												
	<b>2021</b>	<b>2022</b>	<b>2023</b>									
Annually report assessing compliance with legislation and regulatory requirements, financial policies, including procurement, financial reporting, payroll, delegation of authority and accounting procedures												
Review effectiveness of corporate reporting systems regarding administrative and program performance												
Reviewing the Authority's Risk Management framework and mitigation plans.												
Review financial management and controls policy												
Review business expense policy												
Review records retention policy												

**Report To: Audit and Budget Committee**

**Subject: Establishing a 2020 Audit and Budget Committee Meeting Calendar**

**Report No: A&BC-03-2020**

**Date: April 29, 2020**

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**Recommendation:**

1. **THAT** Report No. A&BC-03-2020 RE: Establishing a 2020 Audit and Budget Committee Meeting Calendar **BE RECEIVED**.
2. **THAT** meetings for the NPCA Audit and Budget Committee for 2020 **BE ESTABLISHED** as: Thursday, July 29 and Thursday, October 28.

**Purpose:**

The purpose of this report is to identify the remaining Audit and Budget Committee meeting dates in 2020 for business planning purposes and to ensure openness and public transparency.

**Background:**

To the extent possible, the NPCA publishes a list of its Board and Standing Committee meeting dates on its website. This aids staff in planning the work of the organization, assures public accountability and transparency and allows public participation through open meetings.

**Discussion:**

The aforementioned recommended dates were selected in conjunction with the Director of Corporate Services, the Chief Administrative Officer and the Chair of Audit and Budget committee to align with the business needs of the organization. All meetings are to commence at 9:30 a.m.. There are no conflicts with other NPCA meetings.

There is nothing to preclude the Committee from amending these dates at a later time or calling additional meetings as required, subject to the notice provisions of the NPCA Administrative By-law.

As requested by the Governance Committee, all standing committees will be moved to the board room of the NPCA head office located at 250 Thorold Road West, Welland, Ontario but will remain open to the public.

**Financial Implications:**

There are no financial implications to the scheduling as proposed.

**Links to Policy/Strategic Plan:**

Approval of this report will help to support the NPCA's Mission Statement to implement our Conservation Authorities Act mandate by remaining a responsive, innovative, accountable and financially sustainable organization.

**Related Reports and Appendices:**

None.

**Authored by:**

*Original Signed By:*

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Grant Bivol,  
Executive Co-ordinator to the C.A.O / Board

**Submitted by:**

*Original Signed By:*

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Chandra Sharma, MCIP, RPP  
Chief Administrative Officer/Secretary-Treasurer