# Minutes of Meeting
# of the Audit Committee
# of the Independent Electricity System Operator

*February 28, 2017, 8:00 a.m.*
*16th Floor Boardroom, 120 Adelaide Street West, Toronto, Ontario*

**Attendees**

Bruce Campbell
Susanna Han
Tim O'Neill
Deborah Whale
Carole Workman (Chair)

**Regrets**
N/A

**Members of Staff in Attendance**

Kimberly Marshall
John Rattray
Susan Nicholson
Natalie Schaus *(portion of meeting)*
Julia McNally *(portion of meeting)*
Anthony Martinello *(portion of meeting)*
Candice Trickey *(portion of meeting)*
Lia Kosic*(portion of meeting)*
Terry Young *(portion of meeting)*
Katherine Sparkes *(portion of meeting)*
Michael Boll *(portion of meeting)*
Nik Schruder *(portion of meeting)*
Tabatha Bull *(portion of meeting)*
Manju Singhal *(portion of meeting)*
Michael Killeavy *(portion of meeting)*
Luke Bond *(portion of meeting)*
Nadeem Anwar *(portion of meeting)*
Jeannette Briggs *(portion of meeting)*
Michael Classens *(portion of meeting)*
Julie Bedford *(portion of meeting)*

**By Invitation**

Matthew Betik and Michel Picard, KPMG *(portion of meeting)*
Hank Van Bakel – ORTECH *(portion of meeting)*
Nick Collard – ORTECH *(portion of meeting)*

## Minutes

Ms. Carole Workman chaired the meeting and Mr. John Rattray acted as Secretary.

### Constitution of the Meeting

The Chair noted that due notice of the meeting had been given, a quorum of members of the Audit Committee ("Committee") were present, and that, accordingly, the meeting was duly and properly constituted.

### Conflicts

The Chair enquired whether any Committee member had a conflict of interest to report. No conflict was reported.

### Approval of the Proposed Agenda

The Chair reviewed the Agenda with the Committee, proposing an amendment such that Agenda Item 4 regarding accounting policy be considered prior to Agenda Item 3, the review of the 2016 Audited Financial Statements; and that Agenda Item 3 would be an information item rather than a recommendation for approval to the Board. As amended, the Agenda was found to be satisfactory. On motion duly made and seconded, the following resolution was unanimously carried,

**BE IT RESOLVED THAT** the Agenda of items for consideration at this meeting of the Committee as amended, is hereby approved.

### Approval of Minutes

The minutes of the December 6, 2016 Committee meeting had been provided to the members of the Committee for review prior to the meeting. On motion duly made and seconded, the following resolution was unanimously carried,

**BE IT RESOLVED THAT** the Minutes of the Meeting of the Audit Committee of the Independent Electricity System Operator held on December 6, 2016 are hereby approved.

**2016 Audited Financial Statements**

*Mr. Matt Betik and Mr. Michel Picard of KPMG joined the meeting.*
*Ms. Natalie Schaus joined the meeting.*

Accounting Principles

Ms. Kimberly Marshall described the review of accounting principles used by the Corporation for rate regulated assets/liabilities and Market Accounts. Messrs. Betik and Picard of the auditing firm KPMG described the evolution of accounting principles and summarized the accounting principles under a wide range of accounting standards, including the Public Sector Accounting Standards used by the Corporation. The Committee questioned Mr. Picard regarding the impact of adopting revised accounting principles on prior financial statements; the accounting principles used by local distribution companies and other North American independent system operators; and the rationale for adopting revised accounting principles.

Management described the treatment of corporate and market accounting on market opening. The Committee discussed the increased transparency that would result from the adoption of revised accounting principles consistent with the approach taken by other independent system operators. The Committee questioned management and the auditors regarding implementation steps, and consultations with the Provincial Controller, the Auditor General and the Ministry of Energy. The Committee instructed management and the auditors to undertake further work and to report back to the Committee with a recommendation.

*Mr. Michel Picard left the meeting.*

2016 Audited Financial Statements

An Agenda Item Summary titled "Review of 2016 Audited Financial Statements" dated February 28, 2017; the "IESO Management Report" dated March 1, 2017; the draft "Independent Auditor's Report" from KPMG dated March 1, 2017; the 2016 Financial Statements titled "Independent Electricity System Operator Statements of

Financial Positions Unaudited" with accompanying "Notes to Financial Statements"; the "Independent Electricity System Operator Audit Findings Report for the year ended December 31, 2016"; and the 2016 Management Representation Letter to KPMG LLP dated March 1, 2017, had been provided to the Committee for review prior to the meeting.

Mr. Betik reviewed highlights of the auditor's report titled "Independent Electricity System Operator Audit Findings Report for the year ended December 31, 2016". Mr. Betik summarized the remaining work to finalize the audit, including any work to incorporate any change in accounting policy; and reviewed highlights of the report. Mr. Betik said that the audit results were clean with no adjustments or issues to report. The Committee questioned Mr. Betik on the materiality threshold and the independence of KPMG.

The Committee then met privately with Mr. Betik in the absence of Management and, upon their return, the Chair advised that there was nothing to be minuted. Management and the external auditor KPMG will finalize the 2016 Financial Statements and return to the Committee.

*Mr. Matthew Betik left the meeting.*

*Ms. Jeannette Briggs, Ms. Lia Kosic, Mr. Anthony Martinello, Ms. Julia McNally, and Ms. Candice Trickey joined the meeting.*

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