

THE MUNICIPALITY OF THE COUNTY OF KINGS
AUDIT COMMITTEE AGENDA
Thursday, February 27, 2020
6:00 p.m. Tides Room, Municipal Complex
181 Coldbrook Village Park Dr. Coldbrook

Item	Description	Required Action	Responsible	Page
1.	Roll Call		Chair	
2.	Additions to the Agenda	Decision	All	
3.	Approval of Agenda	Decision	All	
4.	Disclosure of Conflict of Interest Issues	Decision	Chair	
5.	Approval of Minutes: Dec 19, 2019 January meeting was cancelled	Decision	Chair	2
6.	Business Arising from Minutes	Discussion	All	
New Business				
7.	Audit Committee Training • Module #2: Budget Process	Training Presentation	Katrina Roefs, Financial Analyst	5
8.	Audit Committee Training • Module #3: Audit Process	Training Presentation	Katrina Roefs, Financial Analyst	14
9.	Work Plan Update	Discussion	Greg Barr, Director of Finance & IT and Mike Livingstone, Manager of Financial Reporting	18
Correspondence				
10.	2018-19 FCIs for the Municipality of Kings updated information	Discussion	All	22
11.	Other Business			
12.	Public Comments			
13.	Next Meeting: • TBD	Decision	All	
14.	Adjournment	Decision		

*Please note: The provincial training session from DMA has yet to be confirmed and will be communicated as soon as possible.

(7) Business arising from the previous minutes: None.

New Business:

(10) 2018/19 FCI Review Greg Barr presented a comparison of the preliminary 2019/2020 numbers to the actuals for 2018/2019 and the rural municipal averages. The rural municipal averages are also based on 2018/2019 data (latest provided by DMA).

The committee noted that the new web site used by the province is not as user friendly as the previous web site. The direct comparison option is no longer available and the media releases are lacking. The final document is also produced later than previous years.

Of the 13 indicators, the Municipality only has 1 Yellow indicator with the other 12 being Green. The Yellow indicator this year is in the area of Budget Accuracy; this indicator speaks to the Municipality's success at projecting the expenditures for the year. Staff explained that this was affected by the significant surplus Valley Waste achieved. This Yellow indicator will remain on the Municipality's FCIs for the next 5 years, regardless of this being corrected/adjusted in the subsequent year, because it is based on the previous 5 years.

Other highlights of the presentation include;

FCI #2: not typically a concern for a Municipality that is the size of the Municipality of the County of Kings.

FCI #4: Uncollected taxes – the indicator is well below the average and threshold.

FCI #8: The Municipality has zero operating debt.

FCI #9: This indicator was yellow last year however the move to the new facility has helped keep the Municipality on the Green side of this threshold. This indicator will continue to be a challenge for the Municipality due to aging infrastructure. The amortization periods could be adjusted but would need to be completed in conjunction with the work being completed by the Asset Management Committee.

FCI #11: This relates to the current cash on hand vs. current liabilities

FCI #12: This relates to Kings not qualifying for equalization payments & is relative to the Municipality's size/revenue.

Councillor Raven asked that staff provide the committee with information related to Government Transfers to Municipalities.

In summary, the Municipality of the County of Kings is in excellent financial condition.

When the province releases the official report, staff will ensure the committee is notified.

(11) RFD: Assessment and Appointment of Municipal Auditors

Greg Barr presented the RFD supported by a short slide show.

On the motion of Mayor Muttart and seconded by Councillor Raven, That the Audit Committee recommend to Council to reappoint Grant Thornton LLP as the municipal auditors for the Municipality of the County of Kings for the year ending March 31, 2020. Motion Carried.

Councillor Raven asked that staff discuss a price reduction with the financial auditors if the audits continue to be so clean. Staff noted that the field work related to the audits remain the same year over year from the time of RFP approval in 2017.

(12) Work Plan Update

Greg Barr and Mike Livingstone reviewed the work plan with the committee.

The main highlight was that going forward the 'last presented dates' will be included for each item for ease of review.

Councillor Raven asked if there are any staff pay advances or loans are provided. Staff advised that there are specific computer purchase program and generator purchase program loans available for staff. Greg will forward the loan information to the Councillor for information.

(11) Other Business:

The committee noted thanks to the maintenance staff for replacing the handles on the cupboards in the Tides Room.

(12) Public Comments

None.

(13) Next Meeting:

January 16, 2020 at 6pm in the Tides Room

Adjournment:

On the motion of Councillor Raven and seconded by Councillor Winsor the meeting be adjourned. Motion Carried.

Approvals:
Audit Committee

Budget Process



Budget Overview

Timelines

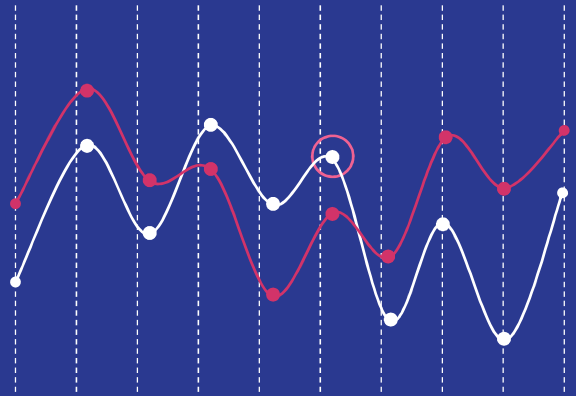
Budget Inputs

Presentation and Deliberation

Budget Implementation

Budget Overview

- The Municipality is required to prepare and approve annual budgets
- The Budget and Finance Committee provides oversight to the budget process
- Budgets are prepared for each fund:
 - General Operating
 - General Capital
 - Regional Sewer
 - Greenwood Water
 - Capital and Operating Reserves



November

- Internal Budget Working Papers
- Departmental Budget Templates
- Communication with service providers and external parties
- Budget process and timelines reviewed with Budget & Finance and recommended to Council

December

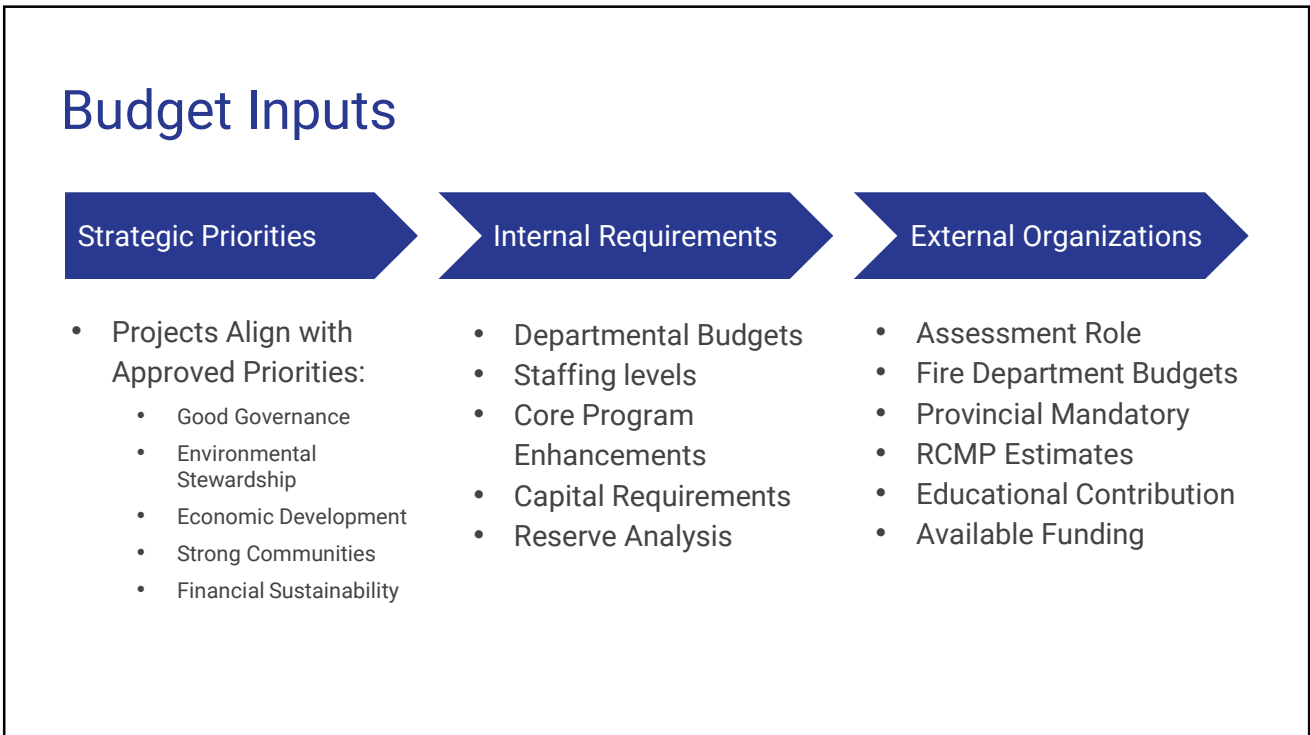
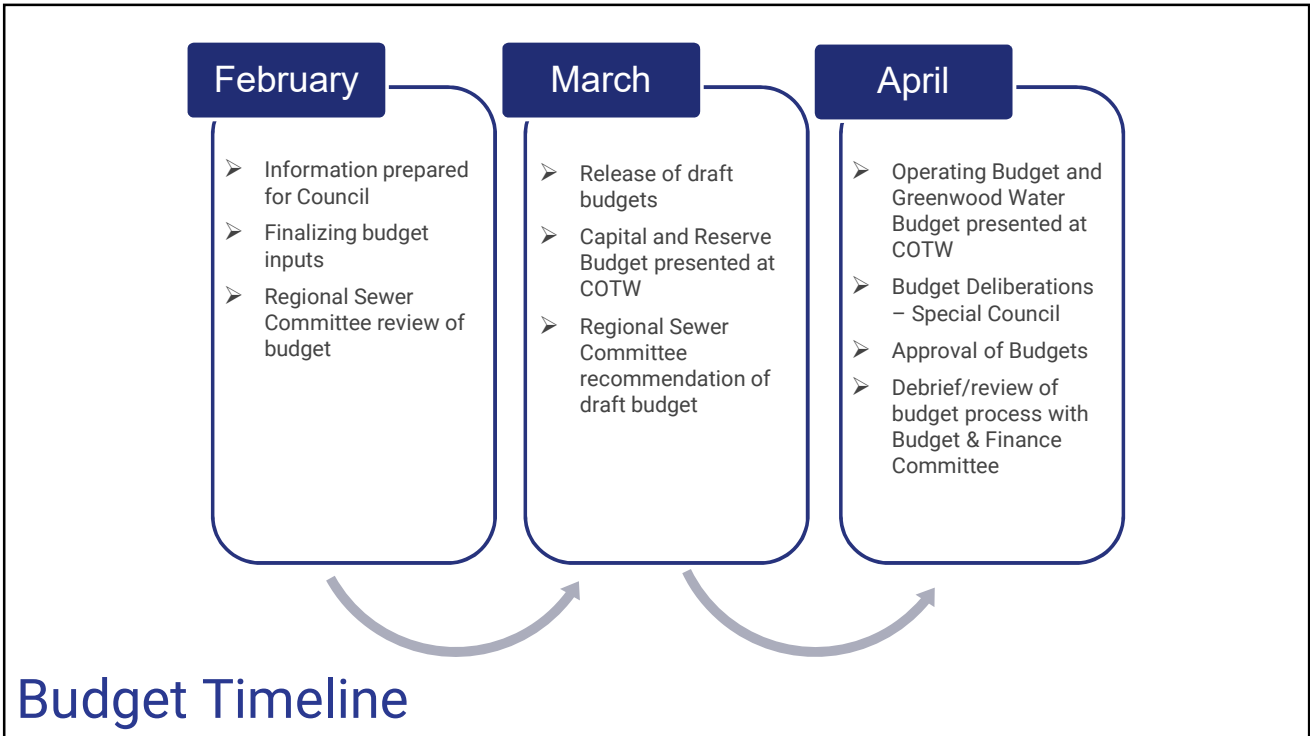
- Draft Departmental Budgets
- Account analysis
- Projects and initiatives identified
- Departmental Budget Meetings
- Analysis of reserves

January

- Assessment Role received from PVSC
- Third quarter Accountability Report and year end forecast prepared
- Submission deadline - external parties & department budgets
- Draft Greenwood Water Budget
- Draft Regional Sewer Budget



Budget Timeline



Strategic Priorities

Good Governance: The review and evaluation of processes, agreements, and partnerships to improve efficiencies and effectiveness.

Environmental Stewardship: The Municipality will advance environmental stewardship through a heightened awareness and incorporation of sustainability elements within core operations and capital projects.

Economic Development: The Municipality will undertake or facilitate development beneficial to our community.

Strong Communities: The Municipality will support well-planned environments to create vibrant, resilient, and sustainable communities through investments in infrastructure, active living, and land use planning.

Financial Sustainability: The Municipality will continue its sound fiscal management by efficiently managing assets, and investigating and planning for new revenue streams and growth opportunities.

Governance



Environmental Stewardship



Economic Development



Strong Communities



Financial Sustainability



Budget Inputs

Strategic Priority Projects

	Carryover	New Funds	Total Budget	Governance	Environmental Stewardship	Economic Development	Strong Communities	Financial Sustainability
Green Initiatives		50,000	50,000		✓			
Broadband	77,000		77,000	✓		✓	✓	✓
Soalr - Municipal Buildings		12,000	12,000		✓	✓	✓	✓
Wind		91,350	91,350		✓	✓		✓
Solar - Meadowview	45,000		45,000		✓	✓	✓	✓
J-Class Road Study		20,000	20,000				✓	
Village of Kingston Water	30,000	50,000	80,000		✓	✓		
Strengthening Regional Services	105,065	11,740	116,805	✓				
Records Management	80,000		80,000	✓				
VNM Secondary Planning Strategy	84,215	41,575	125,790				✓	
Internal Control Review		13,000	13,000	✓				
J-Class Paving		325,000	325,000				✓	
	421,280	614,665	1,035,945					

Budget Inputs

Internal Requirements

Departmental Budgets:

- Templates along with historical account analysis are provided to department Directors and Managers in November.
- Meetings are held in December between each department and finance staff to draft budgets
- Draft budgets are substantially completed by end of January

Core Program Enhancements:

- Additional resources which are identified as a requirement to enhance existing programs are separately identified and highlighted in budget presentations
- Where required separate Requests for Decisions (RFD) are prepared

Staffing Levels:

- Council must approve any new positions
- Separate RFD are presented which document the need for the requested new position

Budget Inputs

Internal Requirements

Capital Requirements

- Departmental meetings are held to identify required capital projects
- Capital Investment Plan (CIP) is reviewed for carryover projects
- Departments prepare budget information concerning estimated cost and submit to Finance
- Funding sources are reviewed and recommended

Reserve Analysis:

- Continuity schedules prepared for reserve funds to forecast ending balances
- Used to determine required reserve contributions
- Capital reserves used to fund capital projects are identified

Budget Inputs

External Organizations

Assessment Role:

- Provided by Property Valuation Services Corporation (PVSC)
- Assessment information on all properties within the County
- Used to budget property tax revenue

Fire Department Budgets:

- Deadline Submission – mid January
- Guidance from Fire Services Advisory Committee

RCMP Estimate

- Estimate provided by RCMP contract division in December or January (confirmed in April/May)
- Officer compliment remains unchanged
- Amount fluctuates based on RCMP budget requirements
- County funds 45 officers plus a portion of shared costs

Budget Inputs

External Organizations

Provincial Mandatory:

- Funding provided for the following:
 - Municipal Highway Contribution
 - Corrections
 - Property Valuation Services Corporation
 - Western Regional Housing Authority
 - Regional Library
- Budgets are based on historic average funding levels (actual confirmed in April/May/June)

Educational Contribution:

- Funding based on Uniform Assessment and Student Enrollment
- Preliminary calculation completed in January amongst Finance Staff of the Municipality and Towns (Wolfville, Kentville, Berwick, former Hantsport)
- Actual amount normally confirmed in May

Budget Inputs

External Organizations

Inter Municipal Service Providers:

- Budgets are required to be submitted to the Municipality on an annual basis typically within 90 days of year end
- Municipal Council must approve these organizations annual budgets
- Submitted budgets are incorporated into the Municipalities Operating Budget

External Options for Available Funding:

- I. Funding for capital projects sometimes involves Grants from Provincial/Federal Governments
- II. These are confirmed or estimated as part of the Capital Budget
- III. Funding details are included on project justification sheets

Budget Inputs

Budget Presentation



- Budget information provided to Councillors in February
- Draft Budgets are presented in March and April
- Capital and Reserve Budgets including project justification sheets are presented during COTW
- General Operating and Greenwood Water presented during another session of COTW
- Draft Budget Book released
- Regional Sewer Budget presented to Regional Sewer Committee

Budget Deliberations

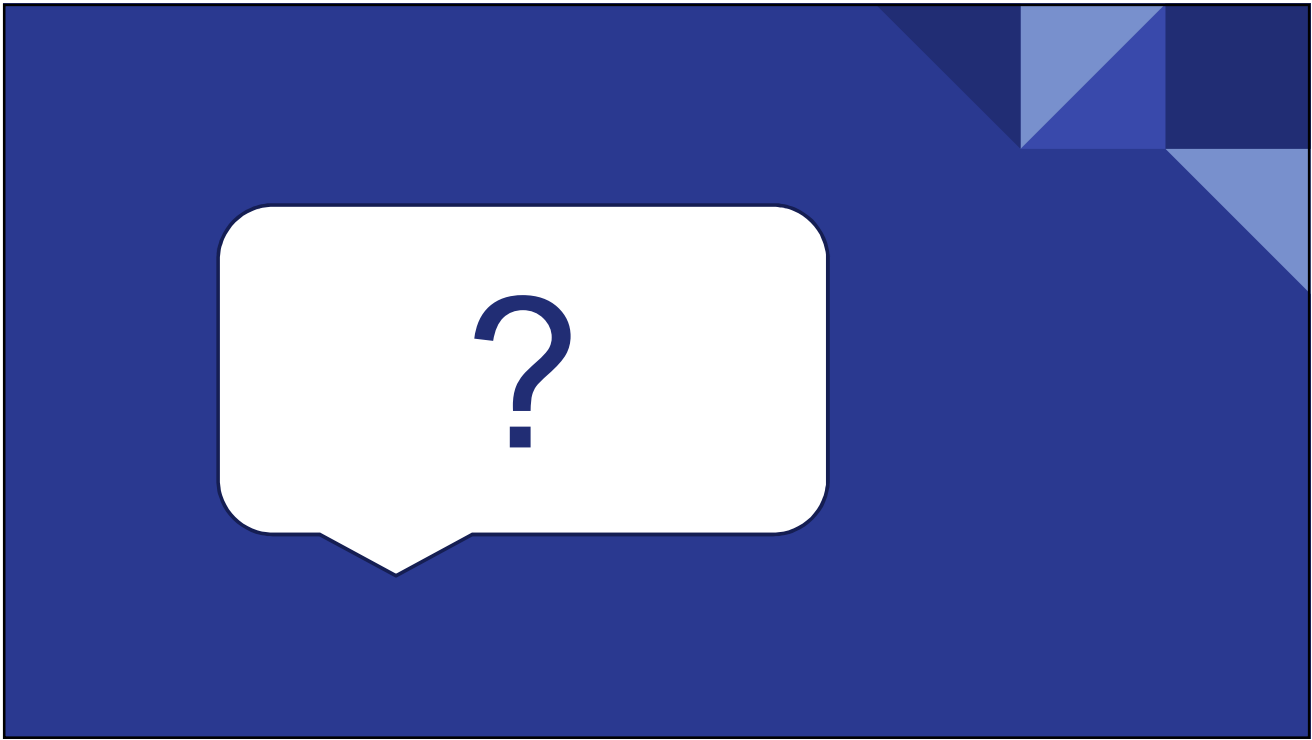


- Once presentations have been made responses to any questions of clarification are provided
- Special Council is held to deliberate the budget
 - Finance summarizes what has been presented thus far
 - Required motions are presented
 - Council asks questions and can request changes
 - Budgets are approved by formal motion

Budget Implementation



- Approved budgets are provided to departments to be followed for the new fiscal year
- Tax rates and other fees are updated on the County website and the fee policy
- A debrief is held with Budget & Finance Committee
- Approved Budget Book is finalized and posted to County Website
- External organizations funded through the budget are notified
- Budgets are filed as required:
 - General Operating Fund is submitted to Province on the Statement of Estimates
 - Capital Fund – Capital Investment Plan submitted to Province
 - Greenwood Water Utility is submitted to UARB
 - Regional Sewer Budget – reported on SOE



Audit Process

Katrina Roefs, CPA, CA, Financial Analyst
Audit Committee
December 19, 2019



Objective

MGA Requirements

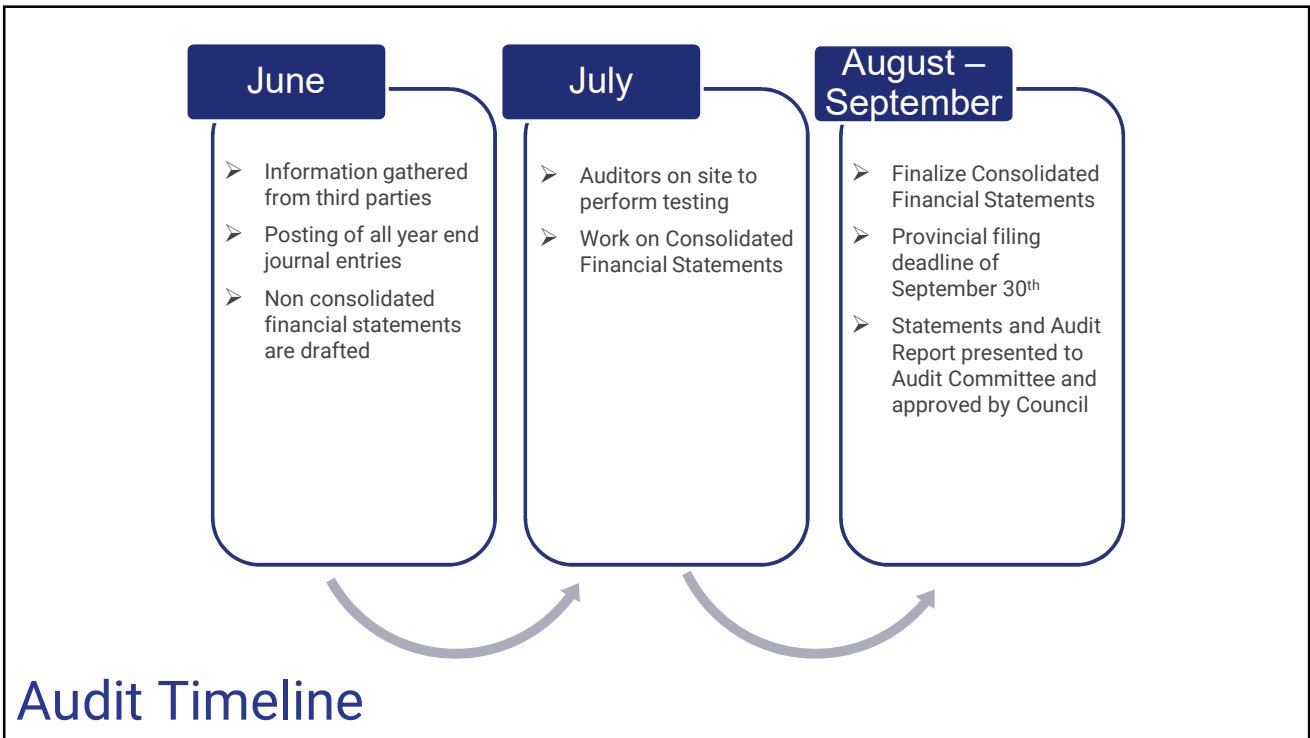
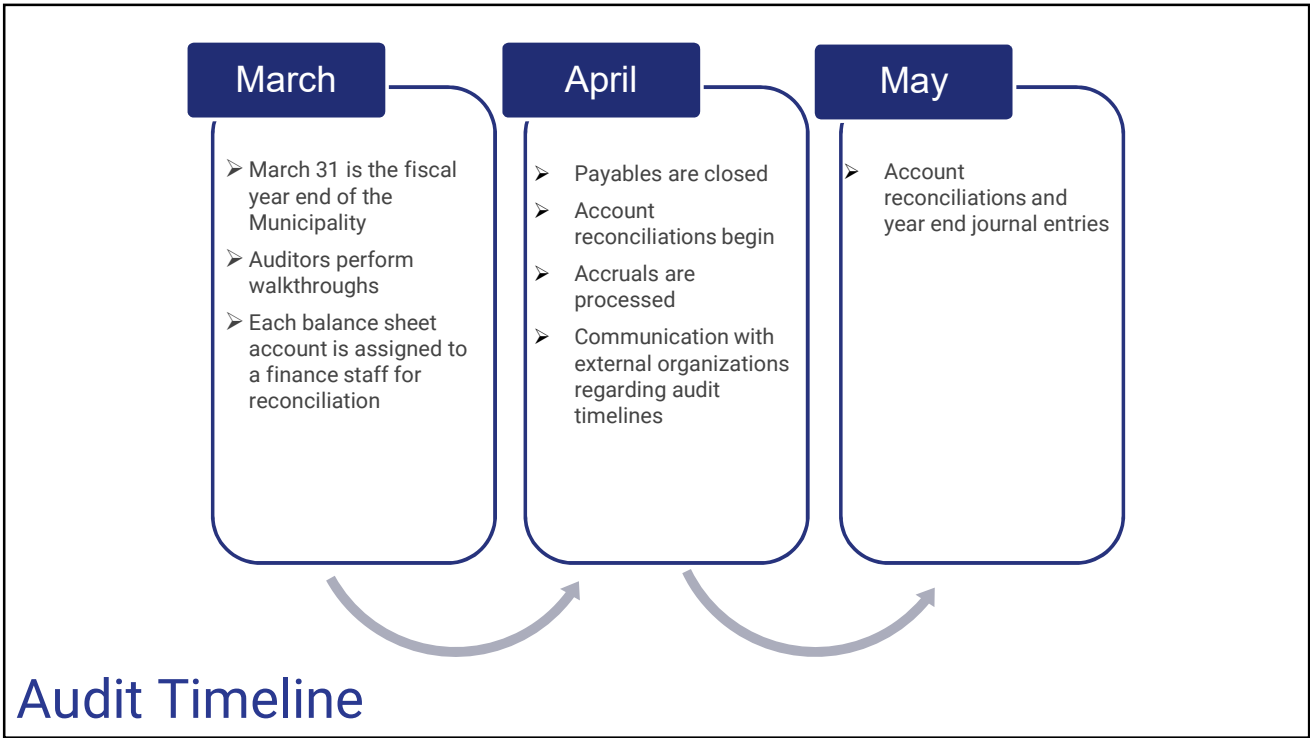
Timelines and Tasks

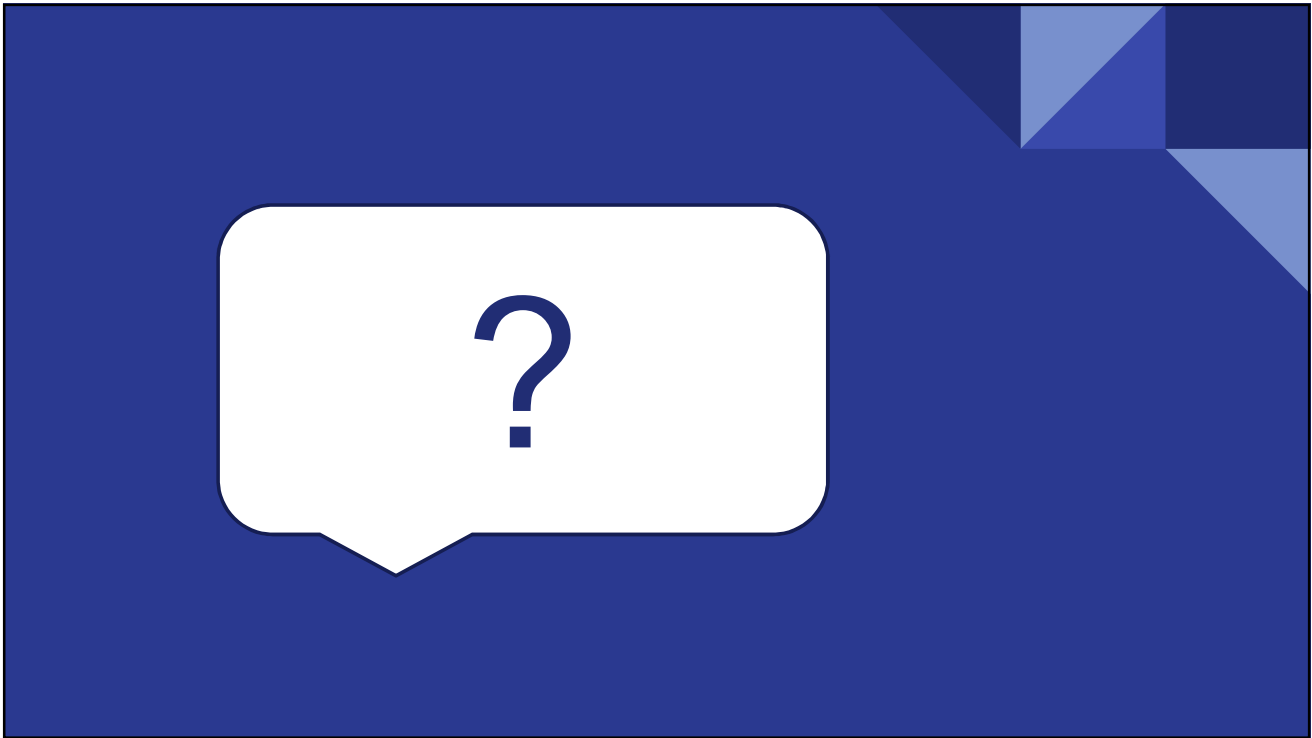
Objective

To obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these consolidated financial statements.

MGA Requirements

- *Municipal Government Act (MGA) section 42* requires a Municipal Auditor be appointed and a report filed with Council and the Minister by September 30 each year.
- An auditor must be registered with the Province as a Municipal Auditor.
- Audit Committee is required
- The Auditor must have access at all times to the books and accounts of the Municipality





Agenda Item #9.

Municipality of the County of Kings
 Audit Committee Work Plan – Update February 27, 2020

Item	Description	Summarized Approach	Target Date	Responsibility	Update
1	Detailed Review of the Municipality’s Financial Statements and audit management letters	Financial statements will be presented annually to the committee by our municipal auditors at the conclusion of the annual audit. Items discussed will include annual financial results, any management letter points, and any internal control weaknesses identified.	Annually on or before the Provincial filing deadline of September 30	- Finance Dept. will organize external auditors to make required presentation	Last approved at Special Council on Nov 19, 2019
2	Review of annual Hospitality Summary Report Link to approved Hospitality Policy FIN-05-020	Municipalities are required to submit an annual summary report of hospitality expenditures which must first be reviewed by the audit committee. Staff will present the summary annually for review by the committee	Annually on or before the Provincial filing deadline of September 30	- Finance Dept. will provide the summary report	Last presented to the committee in Sept 2019
3	Review of annual Business Expense Summary Report Link to approved Business Expense Policy FIN-05-008	The Financial Reporting and Accounting Manual (FRAM) which are regulations under the Municipal Government Act has new provisions regarding expense requirements. <ul style="list-style-type: none"> • Municipalities are required to adopt an expense policy • Quarterly summaries of expenses for Reportable Individuals (Mayor, Councilors, and CAO) must be posted to the municipal website. • An annual summary report must be filed with the Province – this report must be reviewed by the Audit Committee Staff will present the summary annually for review by the committee	Annually on or before the Provincial filing deadline of September 30	- Finance Dept. will provide the summary report	Last presented to the committee in Sept 2019

Municipality of the County of Kings
Audit Committee Work Plan – Update February 27, 2020

Item	Description	Summarized Approach	Target Date	Responsibility	Update
4	Audit Committee Training Link to FRAM	<p>FRAM requires that committee members receive training on their roles.</p> <p>The Province has developed training modules which are available to be completed by the committee on-line or in person by DMAH.</p> <p>Internal Training modules have been developed for the committee members.</p>	Provincial training - TBD Internal Module #4: Provincial Reporting Requirements - TBD	- Finance Dept. under management of Director of Finance	<p>DMAH is scheduling the provincial in person training for the Audit Committee; date TBD. Module #2 & #3 of the internally developed training is scheduled to take place during the February 27, 2020 Audit Committee meeting.</p> <p>Historical Information: -Municipal Auditors presented in Jan 2019 -Module #1: Financial Reporting & Fund Accounting presented in September 2019</p>
5	Review of Processes and Controls/ development of documented standard operating procedures.	<p>Procedures and controls are currently in place for finance activities and are reviewed annually as part of the financial statement audit. However a more detailed examination has not taken place in recent years. Having the processes reviewed in detail by an external party will provide assurance over existing controls and also provide recommendations for areas of improvement while identifying any potential weaknesses.</p> <p>Grant Thornton, a firm that specializes in this type of engagement and are familiar with the current operations are to be engaged to provide a detailed external review of each process. Deliverables will include recommendations for any areas of improvement and documentation of current and/or suggested processes with standard operating procedures. Having these processes documented will ensure procedures are properly followed and will also assist in times of staff transition.</p> <p>Once the engagement is complete Grant Thornton will present their findings including any areas of weakness and recommended improvements, along with the updated standard operating procedures and flow charts to the audit committee.</p>	Areas of focus for 2019/20: <ul style="list-style-type: none"> • Payroll • Tax Sale <p>Approved at February 5, 2019 Council meeting</p>	- Director of Finance and Manager of Financial Reporting	<p>Process & flow chart review for Payroll & Tax Sale is now complete. Management responses have been prepared by the Manager of Financial Reporting and are now under the review of the Director of Finance; once finalized the recommendations will need to be implemented.</p>

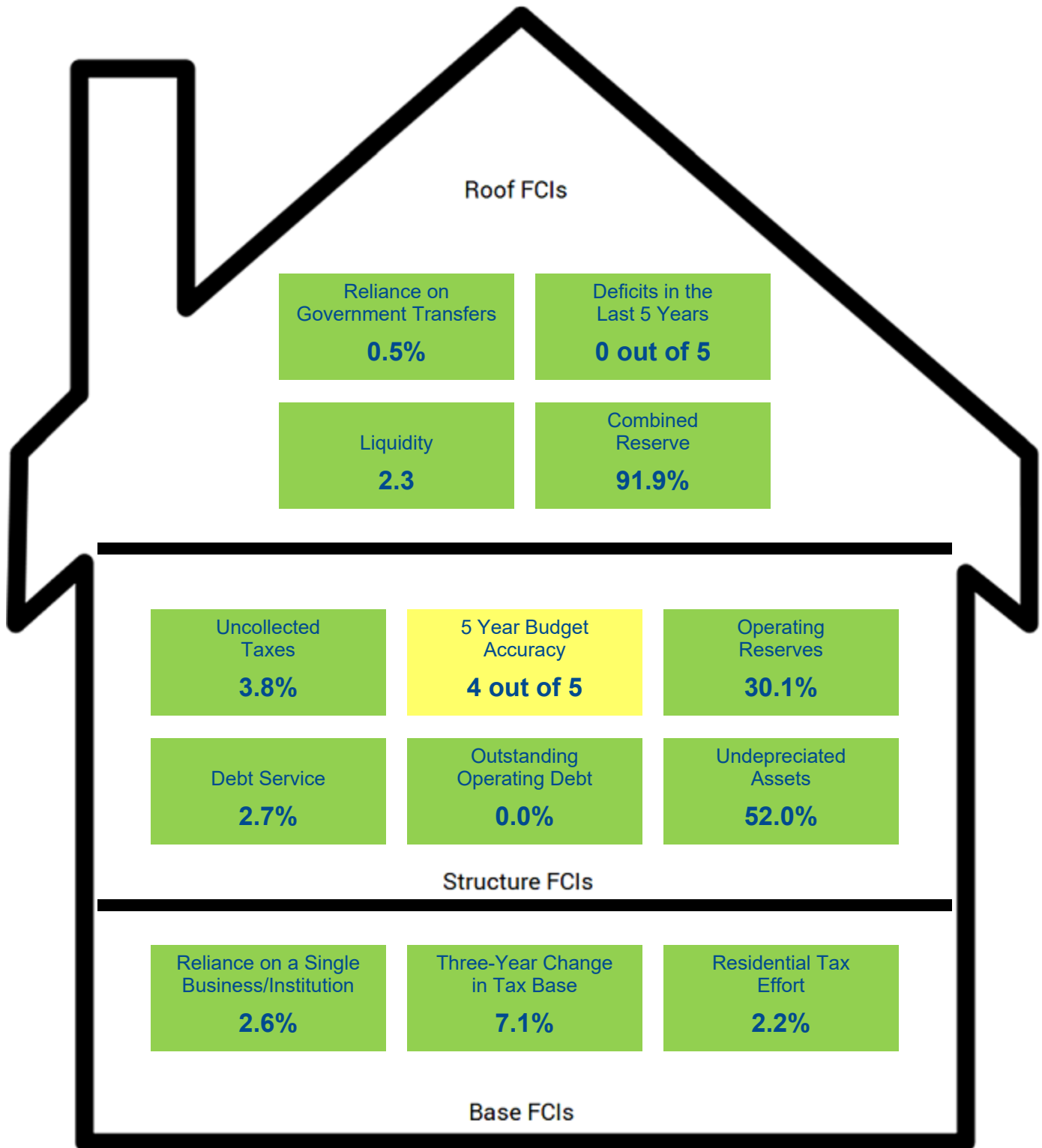
Municipality of the County of Kings
Audit Committee Work Plan – Update February 27, 2020

Item	Description	Summarized Approach	Target Date	Responsibility	Update
6	Development of a Cyclical Audit Program for various programs of the County	<p>This item has been assigned to the Audit Committee for their consideration from the Budget & Finance Committee work plan.</p> <p><u>Items included:</u></p> <ul style="list-style-type: none"> • Examination of internal controls (see point 5 above). • Performance based audits to examine different aspects of the organization with regard to the efficiency and effectiveness of operations. 	TBD once a program has been identified.	- Finance Dept. under management of Director of Finance	Management & Staff have discussed options and will present suggestions at a future meeting. Due to the comprehensive nature of #7, this item will likely be delayed until late in 2020.
7	Compliance audit or specified program review of the County's Procurement Process	<p>This item was assigned to the Audit Committee for their consideration from the Budget & Finance Committee work plan.</p> <p>A strong procurement policy and process helps to ensure funds are spent in an efficient manner and regulatory compliant manner.</p> <p>There are two parts to this review:</p> <ol style="list-style-type: none"> 1) Review of procedures and controls around the procurement process – this has been identified as an area of focus for item 5 2) Review of policy FIN-05-006 Procurement Policy – last reviewed in 2011. <p>The policy must ensure we are in compliance with requirements set out under various procurement acts such as:</p> <ul style="list-style-type: none"> • NS Procurement Act, • Atlantic Procurement Policy, • World Trade Organization Agreement on Government Procurement • Canadian Free Trade Agreement <p>Spending levels and authority levels should also be reviewed</p> <p>Fin-05-016 Procurement Card will need to be updated for any changes made to the Procurement Policy.</p>	<p>Review of procedures and controls is an area of focus for item 5 with a target date of 2019-20</p> <p>The Procurement Policy has a large impact on the organization and has many different components. In addition there are compliance requirements set out by different levels of governments. It will be important to give this review the time and resources required to do a thorough job. – proposed target date December 31, 2020</p>	- Manager of Financial Reporting	Proposed target date continues to be December 31, 2020

Municipality of the County of Kings
Audit Committee Work Plan – Update February 27, 2020

Item	Description	Summarized Approach	Target Date	Responsibility	Update
8	Review of annual Financial Condition Indicators (FCIs)	Financial Condition Indicators will be presented annually to the committee by municipal staff. (Actual and forecasted impact to be included)	Annually Actual – after completion of audited financial statements and before September 30 th Forecast – prior to completion of budget	- Finance Dept. staff to schedule presentation to committee annually	Last reviewed at the December 19, 2019 Audit Committee meeting. Updated information included as correspondence in the February 27, 2020 agenda package.
9	Assessment of Auditors	Annual review of auditors reporting noting any items to be added to future reports. Recommendation of auditor appointment in discussions with management.	Annually after completion of financial audit and presentation of auditors' report	- Committee to schedule a review after auditors' reports have been received. - Finance Dept. staff	A recommendation was approved at the December 19, 2019 Audit Committee meeting; this will go as a recommendation to the March Council meeting.
10	Management report on Compliance	Review a report from management confirming compliance and reporting requirements.	Annually on or before September 30th	- Finance Dept. staff to provide report. - Committee to ensure report is provided annually	Last presented to the committee in Sept 2019
11	Review of approved Municipal Budget	Once Council has approved the annual Municipal budget, the committee will review the document to familiarize themselves with the details.	Annually at the committee meeting following Council approving the budget.	- Finance Dept. staff present a review of approved Municipal Budget at a committee meeting following the approval.	Brief overview of the 2020/21 approved budget to be provided once approved.

2.4.1 Financial Condition Indicators in House Format



2.4.2 Two-Year Comparison of Financial Condition Indicators

BASE	2019	2018	+/-	2019 Rural Avg.
3-year Change in Tax Base*	● 7.1%	● 7.4%	-0.3%	6.9%
Reliance on a Single Business or Institution	● 2.6%	● 2.4%	0.2%	3.3%
Residential Tax Effort	● 2.2%	● 2.1%	0.0%	2.1%
STRUCTURE				
Uncollected Taxes	● 3.8%	● 3.6%	0.2%	8.2%
5 Year Budget Accuracy	● 4/5	● 5/5	-1	3.6/5
Operating Reserves	● 30.1%	● 29.2%	0.9%	48.7%
Debt Service	● 2.7%	● 3.5%	-0.8%	4.3%
Outstanding Operating Debt	● 0.0%	● 0.0%	0.0%	3.3%
Undepreciated Assets	● 52.0%	● 49.8%	2.2%	60.1%
ROOF				
Deficits in the Last 5 Years	● 0/5	● 0/5	0	0.3/5
Liquidity	● 2.3	● 2.6	-0.4	3.6
Reliance on Government Transfers	● 0.5%	● 0.6%	-0.1%	3.4%
Combined Reserve	● 91.9%	● 89.8%	2.1%	79.6%

* For 3-year Change in Tax Base, CPI % change for 2019 is 5.2% and for 2018 is 4.4%.