

THE MUNICIPALITY OF THE COUNTY OF KINGS

AUDIT COMMITTEE Meeting Agenda

Thursday, May 26, 2022 at 6 p.m.

Virtually via Microsoft Teams

Item	Description	Required Action	Responsible	Page
1.	Roll Call, Welcome, Introductions		Chair	-
2.	Additions to the Agenda	Decision	All	-
3.	Approval of Agenda	Decision	All	-
4.	Disclosure of Conflict of Interest Issues	Decision	All	-
5.	Approval of Minutes <ul style="list-style-type: none"> • March 24, 2022 	Decision	Chair/All	2
6.	Business Arising from the Minutes	Decision	Chair	-
New Business				
7.	Audit Plan & Audit Strategy	Presentation	Grant Thornton LLP.	-
8.	2022/2023 Municipal Budget Review 2022/2023 Approved Budget 2022/2023 Budget Highlights and Summary	Discussion	Greg Barr, Director of Finance & IT	-
9.	DMA 2020-2021 FCI Review <i>*postponed until provided by DMA*</i>	Discussion	Greg Barr, Director of Finance & IT	-
10.	Work Plan Update	Discussion	Mike Livingstone, Manager of Financial Reporting	5
11.	Other Business		All	-
12.	Public Comments			-
13.	Next Regular Meeting	Decision	All	-
14.	Adjournment	Decision	All	-

**Municipality of the County of Kings
Audit Committee
Thursday, March 24, 2022**

Draft Minutes

- Meeting, Date and Time** A meeting of the Audit Committee meeting was held on Thursday, March 24, 2022 at 6:00 pm in the Council Chambers at 181 Coldbrook Village Park Drive.
- 1. Roll Call:** In attendance were:
- Committee Members:* Logan Morse – Citizen Member (Chair)
Councillor June Granger – Vice Chair
Councillor Tim Harding
Councillor Lexie Misner
Macael Baxter – Citizen Member
- Staff:* Greg Barr – Director of Finance & IT
Mike Livingstone – Manager of Financial Reporting
Laurie-Ann Clarke – Recording Secretary
- Presenters:* None
- Public:* None
- Regrets:* Councillor Dick Killam
- Absent:* None
- Meeting Called to Order** The Chair called the meeting to order at 6:01 pm
- 2. Additions to the Agenda** None
- 3. Approval of the Agenda** **On the motion of Councillor Misner and Councillor Harding, that the agenda be approved as circulated.**
- The question was called on the motion. Motion carried.**
- 4. Disclosure of Conflict of Interest Issues** None

5. Approval of Minutes

- November 22, 2021** **On the motion of Councillor Misner and Mr. Baxter, that the minutes of the November 22, 2021 Audit Committee meeting be approved as circulated.**

The question was called on the motion. Motion carried.

- January 20, 2022** **On the motion of Councillor Harding and Councillor Granger, that the minutes of the January 20, 2022 Audit Committee meeting be approved as circulated.**

The question was called on the motion. Motion carried.

6. Business Arising from the minutes None

New Business

7. Projected impact of the Proposed 2022/2023 Budget on Financial Conditions Index (FCI) Greg Barr, Director of Finance & IT, shared that the Department of Municipal Affairs (DMA) prepares a yearly report on financial matters, municipal administration and community characteristics which includes 13 Financial Condition Indicators (FCI) that give a quick indication of a municipality’s strengths and weaknesses. Each municipality is compared against a provincial threshold to define level of risk. Mr. Barr provided a presentation of the projected impact of the proposed 2022/2023 Municipal budget on the Municipality’s FCIs. Though there were some indicators that could not be reported on at this time due to the availability of required data, the Municipality is in excellent financial condition overall with an elevated risk level in only one category (budget accuracy).

8. DMA 2020-2021 FCI Review Mr. Barr advised that although the DMA FCI review is a standard agenda item per the Request for Decision – Municipal Audit Committee Meeting Schedule presented at the February 25, 2021 meeting, there is nothing to share at this time as the DMA has yet to release their report.

9. Annual Terms of Reference review A copy of the Terms of Reference was included with the March 24, 2022 agenda package for members to review. Neither staff nor the Committee had any recommendations for changes.

10. Work Plan Update Mike Livingstone, Manager of Financial Reporting, presented an update of the committee work plan included in the agenda package.

He expressed that item #8 is the highest priority on the work plan however has been delayed due to other priorities including providing assistance to IMSA corporations with budget, operational, and capital

planning initiatives. As a result of the delay, items #5 and 13 are also on hold.

11. Other Business

Mr. Barr asked members of the committee if they would like to meet virtually when the agenda allows and everyone agreed that would be preferable.

12. Public Comments

None

13. Next Meeting

The next regular meeting will be held on May 26, 2022 at 6 pm via Microsoft Teams.

A special meeting may be called in order to receive an audit plan presentation from Grant Thornton LLP.

14. Adjournment

On the motion of Councillor Harding and Councillor Granger, that the meeting be adjourned.

The meeting adjourned at 6:49 pm.

Approvals:

Audit Committee



Description	Summarized Approach	Target Date	May 26, 2022
<p>Item #1 Audit Debrief: Detailed Review of the Municipality's Consolidated Financial Statements and Management Letters</p>	<p>Consolidated Financial Statements will be presented to the Committee by the Municipal Auditor following conclusion of the annual audit.</p> <p>Discussion to include:</p> <ul style="list-style-type: none"> • Annual financial results, any • Management letter points, and • Internal control weaknesses. 	<p>Annually on or before the Provincial filing deadline of September 30</p>	<p>The Draft Audited Consolidated Financial Statements were presented to Audit Committee on September 16, 2021. The statements were later approved by Municipal Council on September 21, 2021.</p>
<p>Item #2 Hospitality Report: Review of annual Hospitality Summary Report Link to approved Hospitality Policy FIN-05-020</p>	<p>Municipalities are required to submit an annual summary report of hospitality expenditures. Before the report is submitted, it must be reviewed by the Audit Committee.</p>	<p>Annually on or before the Provincial filing deadline of September 30</p>	<p>The 2021/22 Hospitality Report was presented to the Committee on September 23, 2021.</p>

Description	Summarized Approach	Target Date	May 26, 2022
<p>Item #3 Business Expense Report: Review of annual Business Expense Summary Report Link to approved Business Expense Policy FIN-05-008</p>	<p>Municipalities are required to submit an annual summary report of business expenses. Before the report is submitted, it must be reviewed by the Audit Committee.</p> <p>The Financial Reporting and Accounting Manual (FRAM), regulations under the <i>Municipal Government Act</i>, contains provisions regarding expense requirements:</p> <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, and • An annual summary report must be filed with the Province 	<p>Annually on or before the Provincial filing deadline of September 30</p>	<p>The 2021/22 Business Expense Report was presented to the Committee on September 23, 2021.</p>
<p>Item #4 Audit Committee Training: FRAM contains explicit requirements related to training</p> <p><i>“Each audit committee member must complete training as prescribed by the department”</i></p>	<p>The Province has developed training modules which are available to be completed by the committee on-line or in person by DMAH. Additionally, internal training modules have been developed for Committee members.</p>	<p>To be completed by new Committee members at their earliest convenience</p>	<p>Audit Committee members are up to date on training.</p>

Description	Summarized Approach	Target Date	May 26, 2022
<p>Item #5 Risk Assessment Program</p>	<p>Establish a Risk Identification, Assessment, and Analysis program to determine areas of significant risk.</p> <p>A formal risk assessment would then determine the areas of focus for internal control reviews, and the development of documented standard operating procedures.</p> <p>Reports will be presented to the Audit Committee to comply with their responsibility to monitor financial risk management; FRAM section 53(d)(ii).</p>	<p>June 30, 2022</p>	<p>This Program will be developed in conjunction with the Fraud Prevention Program (Work Plan Item #13).</p> <p>This item of the work plan is effectively on hold due to delays related to procurement review (Work Plan Item #8) and will be prioritized following that item of the work plan.</p>
<p>Item #6 Process & Controls Review: Review of processes and controls in Payroll and Tax Sale</p>	<p>Procedures and controls are currently in place for finance activities and are reviewed annually as part of the financial statement audit, but a more detailed examination has not taken place in recent years.</p> <p>A third party review of the Payroll and Tax Sale process has taken place and findings have been presented to the Audit Committee.</p> <p>The third party report contained identified weaknesses as well as recommendations for improvement.</p>	<p>Substantially complete. A final report will be brought forward to a future Committee meeting</p>	<p>A report on enhanced controls and/or newly implemented controls will be brought forward at a future Committee meeting.</p>
<p>Item #7 Cyclical Audit Program: Development of a Cyclical Audit Program for various activities of the Municipality</p>	<p>This item has been assigned to the Audit Committee for their consideration from the Budget & Finance Committee Work Plan.</p> <p>Items included:</p> <ul style="list-style-type: none"> • Examination of internal controls (See Work Plan Item #6) • Performance based audits to examine different aspects of the organization with regard to the efficiency and effectiveness of operations. 	<p>To be determined</p> <p>Attention can be turned to the cyclical program following the completion of the Risk Assessment and Fraud Prevention Programs (Work Plan Items #5 & #13)</p>	<p>No update at this time</p>

Description	Summarized Approach	Target Date	May 26, 2022
<p>Item #8 Procurement Review: Compliance audit or specified program review of the Municipality's Procurement Process</p>	<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 in compliance with regulation.</p> <p>There are two parts to this review:</p> <ul style="list-style-type: none"> • Review of procedures and controls around the procurement process • 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, and • Canadian Free Trade Agreement 	<p>Targeting substantial completion in Q1 2022/23, Finalized work may roll into Q2 2022/23</p>	<p>Completion of the procurement review will need to be further delayed due to unforeseen needs arising at IMSA corporations relating to capital planning initiatives as well as budget preparation for fiscal 2022/23.</p> <p>Delays as previously reported (above) have impacted this item of the work plan. The intention is also now to await input from the Procurement Officer once the position is filled. Target dates and timelines may need to be adjusted based on the recruitment timeline.</p>
<p>Item #9 Review of FCIs: Review of annual Financial Condition Indicators (FCIs)</p>	<p>Financial Condition Indicators to be presented annually to the committee by municipal staff (Actual and forecasted impact to be included)</p>	<p>Annually Actual, after completion of audited Consolidated Financial Statements and before December 31</p> <p>Forecast, prior to completion of the Municipal Budget</p>	<p>A report on FCIs for the 2019/20 fiscal period, as well as draft figures for 2020/21, and forecasts for 2021/22 and 2022/23 (budget impacts) was presented at the March 24, 2022 Audit Committee meeting.</p>

Description	Summarized Approach	Target Date	May 26, 2022
<p>Item #10 Assessment of Auditors</p>	<p>Annual review of reports from the Municipal Auditor, including any items to be added to future reports</p> <p>Recommend appointment of the Municipal Auditor in discussions with management</p>	<p>Annually after completion of the audit of the consolidated Financial Statements and presentation of the auditors' report</p>	<p>The Committee recommended appointment of the Municipal Auditor on January 20, 2022. Council approved on February 1, 2022.</p>
<p>Item #11 Management Report on Compliance</p>	<p>Review a report from management confirming compliance and reporting requirements</p>	<p>Annually on or before September 30</p>	<p>The last compliance report was provided on November 22, 2021.</p> <p>Delay in release of the 2020/21 FIR template has resulted in an extension of the filing deadline to November 24, 2021. The 2020/21 Management Report on Compliance was delayed to align with release of the FIR template and the revised deadline.</p>
<p>Item #12 Review of the approved Municipal Budget</p>	<p>Once Council has approved the annual Municipal Budget, the Committee will review the document to familiarize themselves with the budget details</p>	<p>Annually at the Committee meeting following Council's approval of the Municipal Budget</p>	<p>Budget presentations were made on March 16, 2022 (Capital & Special Project) and March 23, 2022 (Operating and Water Utility). The budget was approved on March 30, 2022. The approved budget was reviewed with the Committee on May 26, 2022.</p>

Description	Summarized Approach	Target Date	May 26, 2022
<p>Item #13 Fraud Prevention Program</p>	<p>Review of existing fraud prevention policies and procedures and develop a formal fraud program (policy, reporting, education) which considers:</p> <ul style="list-style-type: none"> • Code of conduct • Employee support programs • Clear lines of authority • Robust internal control system including documented list of controls • Effective oversight & monitoring <p>Periodic update from management to the Audit Committee on allegations/complaints. Reports to include:</p> <ul style="list-style-type: none"> • Nature & volume of allegations/complaints • Responses to allegations/complaints 	<p>June 30, 2022</p>	<p>This Program will be developed in conjunction with the Risk Assessment Program (Work Plan Item #5).</p> <p>This item of the work plan is effectively on hold due to delays related to procurement review (Work Plan Item #8) and will be prioritized following that item of the work plan.</p>