

THE MUNICIPALITY OF THE COUNTY OF KINGS

AUDIT COMMITTEE Meeting Agenda

Thursday, March 23, 2023

6:00 p.m. via Microsoft Teams

Item	Description	Required Action	Responsible	Page
1.	Roll Call, Welcome, Introductions		Senior Staff Designate	-
2.	Additions to the Agenda	Decision	All	-
3.	Approval of Agenda	Decision	All	-
4.	Disclosure of Conflict of Interest Issues	Decision	All	-
5.	Election of Chair	Decision	Senior Staff Designate	-
6.	Election of Vice-Chair	Decision	Chair	-
7.	Approval of Minutes <ul style="list-style-type: none"> December 22, 2022 			2
8.	Business Arising from the Minutes	Discussion	All	-
New Business				
9.	Audit Plan & Audit Strategy	Presentation	Grant Thornton LLP	5
10.	Projected impact of the 2023/2024 proposed budget on FCI	Discussion	Katrina Roefs, Financial Analyst	27
11.	DMA 2021-2022 FCI <i>*postponed until provided by DMA*</i>	Discussion	Greg Barr, Director of Finance & IT	-
12.	Annual Terms of Reference Review	Discussion	Greg Barr, Director of Finance & IT	-
13.	Work Plan Update	Discussion	Mike Livingstone, Manager of Financial Reporting	30
14.	Other Business		All	-
15.	Public Comments			-
16.	Next Regular Meeting: Thursday, May 25, 2023 at 6 pm	Decision	All	-
17.	Adjournment	Decision	All	-

**Municipality of the County of Kings
Audit Committee
Thursday, December 22, 2022**

Draft Minutes

Meeting, Date and Time A meeting of the Audit Committee was held on Thursday, December 22, 2022 at 6:00 pm via Microsoft Teams.

1. Roll Call: In attendance were:

Committee Members: Logan Morse – Citizen Member (Chair)
Councillor June Granger (Vice Chair)
Councillor Lexie Misner
Councillor Tim Harding

Staff: Greg Barr – Director of Finance & IT
Mike Livingstone – Manager of Financial Reporting
Laurie-Ann Clarke – Recording Secretary

Regrets: Councillor Dick Killam

Meeting Called to Order The Chair called the meeting to order at 6:02 pm.

2. Additions to the Agenda None

3. Approval of the Agenda **On the motion of Councillor Misner and Councillor Granger, 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

- **September 15, 2022** **On the motion of Councillor Misner and Councillor Harding, that the minutes of the September 15, 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. Request for Decision: Assessment and Appointment Municipal Auditors** Mike Livingstone, Manager of Financial Reporting, presented the Request for Decision relating to the Assessment and Appointment of Municipal Auditors.

On motion of Councillor Granger and Councillor Misner, that the Audit Committee recommend to Municipal Council that Grant Thornton LLP be appointed as Municipal Auditors for the year ending March 31, 2023.

The question was called on the motion. Motion carried.

- 8. Asset Retirement Obligations** Mr. Livingstone reviewed Asset Retirement Obligations, a new accounting standard that will affect the current fiscal year and prepared the Committee for how it will affect the financial reports.

- 9. Future Consolidation of Budget and Finance Committee and Audit Committee** Mr. Livingstone advised the Committee that the review of the Budget and Finance Committee’s (B&F) Terms of Reference revealed redundancy with Audit Committee activities and as a result, B&F recommended a consolidation of the two committees to Municipal Council. Municipal staff is in the process of reviewing the legislation that governs the Audit Committee, rewriting the Terms of Reference, and considering composition for membership and more information will be brought the Committee as it is available.

- 10. Work Plan Update** Mr. Livingstone presented an update of the committee work plan included in the agenda package.

- 11. Other Business** None

12. Correspondence

- a. 2020-21 Municipal Profile and Financial Condition Indicator Results** The draft report from the Province of Nova Scotia was included in the agenda package for information.

- 13. Public Comments** None
- 14. Next Meeting** The next meeting will be held on March 23, 2023 at 6pm via Microsoft Teams.
- 15. Adjournment** **On motion of Councillor Misner and Councillor Granger, that the meeting be adjourned.**
- The meeting adjourned at 6:35 pm.**

Approvals:

Audit Committee

DRAFT

Municipality of the County of Kings

For the year ended March 31, 2023

Report to members of the Audit Committee
Audit strategy

March 23, 2023

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Appendix A – Overview and approach
Appendix B – Accounting developments
Appendix C – Auditing developments

Executive summary

Purpose of report and scope

The purpose of this report is to engage in an open dialogue with you regarding our audit of the consolidated financial statements of Municipality of the County of Kings (the "Municipality") for the year ended March 31, 2023. This communication will assist members of the Audit Committee in understanding the terms of the audit engagement, our proposed audit strategy and the level of responsibility assumed by us.

The information in this document is intended solely for the information and use of Council, the Audit Committee, and management. It is not intended to be distributed to or used by anyone other than these specified parties.

We have obtained our engagement letter dated January 7, 2022, which outlines our responsibilities and the responsibilities of management.

Status of our audit plan

We have substantially completed our initial planning of the audit of the consolidated financial statements of the Municipality.

Approach

Our audit approach requires that we establish an overall strategy that focuses on risk areas. We identify and assess risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The greater the risk of material misstatement associated with an area of the consolidated financial statements, including disclosures, the greater the audit emphasis placed on it in

terms of audit verification and analysis. Where the nature of a risk of material misstatement is such that it requires special audit consideration, it is classified as a significant risk.

Our approach is discussed further in the body of the report and in detail in Appendix B.

Independence

We have a rigorous process where we continually monitor and maintain our independence. The process of maintaining our independence includes, but is not limited to:

- Identification of threats to our independence and putting into place safeguards to mitigate those threats. For example, we evaluate the independence threat of any non-audit services provided to the Municipality
- Confirming the independence of our engagement team members

We have identified no information regarding our independence that in our judgment should be brought to your attention.

CAS 315 Revised

CAS 315 Identifying and assessing the risks of material misstatement ("CAS 315 Revised") will be effective for our audit of the Municipality's consolidated financial statements for the year ending March 31, 2023. This is a significant change to the auditing standards that will affect the work required to complete the audit engagement and is expected to result in a one-time transition fee. More information about this revised standard is included in the Technical Updates section of our report.

Audit plan and risk assessment

We have planned our audit in accordance with our approach summarized in Appendix A.

Materiality

The purpose of our audit is to provide an opinion as to whether the consolidated financial statements are prepared, in all material respects, in accordance with Canadian public sector accounting standards as at March 31, 2023. Therefore, materiality is a critical auditing concept and as such we apply it in all stages of our engagement.

The concept of materiality recognizes that an auditor cannot verify every balance, transaction or judgment made in the financial reporting process. During audit planning, we made a preliminary assessment of materiality for the purpose of developing our audit strategy, including the determination of the extent of our audit procedures.

During execution of the audit, we will consider whether materiality should be re-assessed due to changes or events identified. At completion, we will consider not only the quantitative assessment of materiality, but also qualitative factors, in assessing the impact on the consolidated financial statements, our audit opinion and whether matters should be brought to your attention.

Considerations

The following is a summary of matters that relate to changes to the Municipality and its environment that were considered in preparing our audit plan.

Matter	Discussion and impact
Municipality specific changes or transactions	At the time of planning, the audit team did not identify any changes in circumstances or significant transactions that would have an impact on the audit approach or should be communicated to the Audit Committee.
Laws and regulations	<p>An audit of financial statements is not designed to detect all instances of non-compliance with laws and regulations and does not represent an audit of the Municipality's compliance with applicable laws and regulations. However, if we become aware of any instances of non-compliance through our audit procedures, we will communicate these to management and those charged with governance.</p> <p>While we have not identified any instances of non-compliance, we would like to know if you are aware of any instances of non-compliance.</p>
Fraud	<p>We are responsible for obtaining reasonable assurance that the consolidated financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements may not be detected and this is particularly true in relation to fraud. The primary responsibility for the prevention and detection of fraud rests with those charged with governance and management.</p> <p>During our audit planning, we enquired of management as to their views on the risks of fraud and their processes for identifying and assessing fraud risks. We are not aware of any fraud-related matters that could affect our audit approach. However, we would like to obtain your input on the following areas:</p> <ul style="list-style-type: none">• How you oversee management's processes for identifying and responding to the risks of fraud and the related internal controls that management has put in place• Whether you are aware of any actual, suspected or alleged fraud affecting the Municipality

Significant risks

We identified the following significant risks on which we plan to focus our attention:

Area of risk	Why there is a risk	Planned audit response
Fraud risk from revenue recognition	<p>There is a presumed risk of fraud in revenue.</p> <p>The risk primarily relates to tax, water, sewer and other rate-based revenues recognized including the appropriate cut-off of these revenues.</p>	<ul style="list-style-type: none"> • Perform recalculation of tax revenue from assessments provided by PVSC and approved tax rates. • Perform a test of details on the transactions within the applicable revenue accounts. A test of details involves selecting a sample and tracing the items selected to the underlying supporting documentation, either in the form of invoices, statements of account, service contracts, or other similar items. • Request confirmations of year-end receivable balances and/or trace receipt of subsequent payments • Compare recorded revenues against expected amounts and perform further verification procedures on unexpected variances
Fraud risk from management override / segregation of duties	<p>This is a presumed fraud risk.</p> <p>Management is in a unique position where they are responsible for the design and implementation of controls over these financial reporting processes while also able to circumvent controls in order to relies personal gain, insert bias or otherwise manipulate financial information.</p>	<ul style="list-style-type: none"> • Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements • Review accounting estimates for biases • Evaluate the business rationale for significant transactions that are or appear to be outside the normal course of business
Asset Retirement Obligation	<p>There is uncertainty regarding the accounting estimate for asset retirement obligations.</p>	<p>Estimating the retirement obligations of the Municipality can present unique challenges. These challenges mean additional procedures are needed to assess the reasonability of the estimate. These procedures may include, but are not limited to the following:</p> <ul style="list-style-type: none"> • Obtain agreements, contracts or other documents related to assets constructed or operated on land subject to restoration and identify key items. • Gain an understanding of external or internal expert. • Review the calculation to ensure mathematical accuracy.

Other audit risks

Other areas we have identified where we plan to focus our attention are as follows:

Area of risk	Why there is a risk	Planned audit response
Accounts payable understated or not recorded in the correct period	The accounts payable balance may be understated due to unidentified obligations as at the year-end date.	<ul style="list-style-type: none"> • Perform a search for unrecorded liabilities • Inquiry procedures, including corroborating follow-up investigation where considered necessary. • Analytical procedures and testing of operating expenses incurred throughout the period.
Compensated absences obligations and expenses understated	Compensated absence obligations require a great deal of judgement and estimation pertaining to expected future outcomes. The related assumptions and calculations often require the expertise of a third-party actuary.	<ul style="list-style-type: none"> • Trace recognized obligations and expenses to the actuarial valuation and review of the key facts and assumptions used in preparing the valuation.

Other planning matters

The following is a discussion of relevant planning matters we have considered that are specific to Municipality of the County of Kings.

Group audit

In forming our opinion on the consolidated financial statements, the type of work we plan to perform on the financial information of the components is as follows:

Component	Component auditor	Audit response and engagement team involvement
Valley Regional Solid Waste-Resource Management Authority	MNP LLP	<ul style="list-style-type: none"> Significant components based on size and audit risk, the engagement team will take a targeted approach: <ul style="list-style-type: none"> Perform procedures on significant transactions and areas of significant risk Review working papers Where necessary, maintain regular communication with the component auditor
Kings Regional Rehabilitation Centre	Morse Brewster Lake	
Kings Transit Authority	BDO LLP	<ul style="list-style-type: none"> Non-significant components based on size and audit risk, the engagement team will take an analytical approach: <ul style="list-style-type: none"> Perform analytical procedures and where necessary, perform further audit procedures.
Valley Community Fibre Network Authority	Grant Thornton	
Valley Regional Enterprise Network	Bishop & Company	

We will coordinate our audit efforts with any component auditors and discuss/communicate relevant audit matters such as materiality, risk assessment, areas of audit focus, timing and required information for our audit of the consolidated financial statements. Our risk assessment and level of involvement in the work of component auditors varies depending on the significance of the component and may include site visits, detailed review of their working papers and performing supplemental audit procedures as appropriate.

Use of experts

We intend to use the work of independent third-party specialists for the valuation of future employee benefits.

The Municipality obtained actuarial valuations for employee sick leave benefit obligations in fiscal 2021. Audit procedures relating to the valuations included evaluation of the expert's expertise, and the deliverable provided by the expert including the reliability and relevance of their work.

Public sector accounting standards species actuarial valuations for accounting purposes would generally be done once every three years. An updated actuarial valuation is not required until fiscal year 2024.

Audit fees

Proposed fees

Service	Current year fees	Prior year fees
Annual audit	\$ 37,000	\$ 35,950
Total*	\$ 37,000	\$ 35,950

*before administrative costs, disbursements and applicable taxes

Deliverables

Deliverable
Communication of audit strategy
Report on the March 31, 2023 consolidated financial statements
Communication of audit results

Fee considerations

Upfront and periodic discussions are central to our approach in dealing with fees. Our goal is to avoid surprises by having early and frank communication. We wish to provide you with a competitive price and fair value, while also allowing sufficient audit hours to conduct an effective audit and deliver quality service.

We have established a proposed fee for the audit for the year ended March 31, 2023 that is based on the level of activity and the anticipated complexity of the audit of the Municipality's consolidated financial statements. If there are any variances to the above plan, we will discuss them with you and agree on any additional fees before costs are incurred, wherever possible. Any unforeseen work outside the scope of this proposal will be billed separately after discussion with management and/or the audit committee.

The proposed fee is based on receiving the following from management:

- Draft consolidated financial statements including the notes to the financial statements
- All working papers and schedules as outlined in our requirements letter
- Trial balance together with reconciled control accounts
- All books and records when requested
- Use of Municipality staff to help us locate information and provide explanations

Team, timing and communications

Timing and communications

We are committed to delivering exceptional client service and executing our audit in the most effective, efficient and timely manner. The planned timing of our audit work and the deliverables we will provide to members of the Audit Committee are as follows:

Stage or deliverable	Timing/Status
Discussions and communications regarding planning	May 2023
Planning	December 2022
Performance of fieldwork	July 2023
Communication of audit results	September 2023

In our communication of audit results, we will report on the following matters:

- Our views on significant accounting practices
- Significant difficulties, if any, encountered during the audit
- Misstatements, other than trivial errors
- Actual or suspected fraud or illegal acts
- Significant deficiencies in internal control
- Other significant audit matters, as applicable

Team

Engagement team member	Role
Jessica Clahane, CPA, CA Partner P +1 902 690 2011 E Jessica.Clahane@ca.gt.com	As Lead Audit Services Partner, Jessica will act as the main point of contact; attending meetings and keeping in contact with management throughout the year.
Victoria Ells, CPA Senior Manager P +1 902 690 2038 E Victoria.Ells@ca.gt.com	As Senior Manager, Victoria will provide oversight and direction to the field audit engagement team, as well as completing high level file and financial statement review.

Technical updates – highlights

Accounting

Accounting standards issued by the Accounting Standards Board that may affect the Municipality in the current year and future years include:

- **Section PS 1150 Generally Accepted Accounting Principles**
- **Section PS 3450 Financial instruments**
- **Section PS 3160 Public Private Partnerships**
- **Section PS 1000 Financial statement concepts, Section 1201 Financial Statement Presentation, and PSG-8 Purchased intangibles**
- **2019-2020 annual Improvements**
- **Section PS 3400 Revenues**
- **Section PS 3280 Asset Retirement Obligations**
- **Section PS 3450 Financial Instruments, Section PS 2601 Foreign currency translation, Section PS 1201 Financial statement presentation, and PS 3041 Portfolio investments**

Further details of the changes to accounting standards, including management’s preliminary comments on their applicability to the Municipality, are included in the Appendices. If you have any questions about these changes we invite you to raise them during our next meeting. We will be pleased to address your concerns.

Assurance

CAS 315 *Identifying and assessing the risks of material misstatement* (“CAS 315 Revised”) will be effective for our audit of the Municipality’s consolidated financial statements for the year ending March 31, 2023. CAS 315 Revised includes many changes to the requirements related to planning an audit and completing the risk assessment process, which are designed to make the risk assessment process more robust and improve consistency of application in practice. Since the risk assessment process is fundamental to an audit, it is anticipated that we will need to incur some additional planning time in the year this new standard is implemented and there could also be resulting changes to audit responses. Furthermore, to address the requirements of CAS 315 Revised, we may need to hold more in-depth discussions with management about certain areas or obtain new types of supporting information during planning. The table below summarises the key changes to the standard and their anticipated effects on the audit.

Area	Change	Effect
Inherent risk factors	Five new risk factors have been introduced to aid in risk assessment: subjectivity, complexity, uncertainty, change, and susceptibility to misstatement due to management bias or fraud.	New risk factors may need to be documented. Where new risk factors are identified, the audit team will need to consider and document how they impact the overall risk assessment.
Spectrum of inherent risk	A “spectrum of inherent risk” has been defined. When completing the risk assessment, risks of material misstatement are positioned at the lower or higher end of the spectrum based on the likelihood and magnitude of possible misstatement, with the upper end representing significant risks.	Applying the spectrum of inherent risk concept may result in changes to the risk assessment and the associated responses. For example, new significant risks may be identified, and the standards contain specific requirements for work that must be performed in response to significant risks.
IT system and controls	There is a great deal more emphasis on understanding IT systems, particularly the IT general controls that address risks arising from the IT system.	The engagement team may need to work with management to obtain and document more information about the IT system and controls.
Control activities	There is more focus on controls relevant to the audit, including those related to journal entries, and on what work needs to be performed to determine the design and implementation of those controls.	Additional time may need to be incurred to identify and assess relevant controls. The approach to determining the design and implementation of internal controls may need to be updated.
Others	Other relevant changes include: <ul style="list-style-type: none"> • Requiring inherent risk and control risk to be assessed separately, whereas the current standard permits a combined assessment • Enhanced requirements and documentation relating to the exercise of professional skepticism • Separate focus on understanding the applicable financial reporting framework • Distinguishing between direct (assertion level) and indirect (pervasive level) control components • A new “stand-back” test requiring teams to reconsider when material classes of transactions, account balances and disclosures are not assessed as significant 	Risk assessments may need to be updated and additional documentation will need to be incorporated to comply with the revised requirements.

In addition to CAS 315 *Revised*, auditing standards issued by the AASB that may change the nature, timing and extent of our audit procedures on the Municipality and our communication with members of the Audit Committee include:

- **Revisions to CAS 540, Auditing Accounting Estimates, including Fair Value Accounting Estimates, and Related Disclosures**
- **Amendments to CAS 701, Communicating Key Audit Matters in the Independent Auditor’s Report**
- **Proposed changes to CAS 600 Special Considerations**
- **Issuance of CSQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, CSQM 2 Engagement Quality Control Reviews and revised CAS 220 Quality Control for an Audit of Financial Statements**

Further details of the changes to assurance standards, including management’s preliminary comments on their applicability to the Municipality, are included in the Appendices. If you have any questions about these changes we invite you to raise them during our next meeting. We will be pleased to address your concerns.

Appendix A – Overview and approach

Our audit is planned with the objective of obtaining reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, so that we are able to express an opinion on whether the consolidated financial statements are prepared, in all material respects, in accordance with Canadian public sector accounting standards. The following outlines key concepts that are applicable to the audit, including the responsibilities of parties involved, our general audit approach and other considerations.

Roles and responsibilities

Role of the audit committee	<ul style="list-style-type: none">• Help set the tone for the organization by emphasizing honesty, ethical behaviour and fraud prevention• Oversee management, including ensuring that management establishes and maintains internal controls to provide reasonable assurance regarding reliability of financial reporting• Recommend the nomination and compensation of external auditors to the board• Directly oversee the work of the external auditors including reviewing and discussing the audit plan
Role of management	<ul style="list-style-type: none">• Prepare financial statements in accordance with Canadian public sector accounting standards• Design, implement and maintain effective internal controls over financial reporting processes, including controls to prevent and detect fraud• Exercise sound judgment in selecting and applying accounting policies• Prevent, detect and correct errors, including those caused by fraud• Provide representations to external auditors• Assess quantitative and qualitative impact of misstatements discovered during the audit on fair presentation of the financial statements
Role of Grant Thornton LLP	<ul style="list-style-type: none">• Provide an audit opinion that the financial statements are in accordance with Canadian public sector accounting standards• Conduct our audit in accordance with Canadian Generally Accepted Auditing Standards (GAAS)• Maintain independence and objectivity• Be a resource to management and to those charged with governance• Communicate matters of interest to those charged with governance• Establish an effective two-way communication with those charged with governance, to report matters of interest to them and obtain their comments on audit risk matters

Audit approach

Our understanding of the Municipality and its operations drives our audit approach, which is risk based and specifically tailored to Municipality of the County of Kings.

The five key phases of our audit approach



Phase	Our approach
1. Planning	<ul style="list-style-type: none"> We obtain our understanding of your operations, internal controls and information systems We plan the audit timetable together
2. Assessing risk	<ul style="list-style-type: none"> We use our knowledge gained from the planning phase to assess financial reporting risks We customize our audit approach to focus our efforts on key areas
3. Evaluating internal controls	<ul style="list-style-type: none"> We evaluate the design of controls you have implemented over financial reporting risks We identify areas where our audit could be more effective or efficient by taking an approach that includes testing the controls We provide you with information about the areas where you could potentially improve your controls
4. Testing accounts and transactions	<ul style="list-style-type: none"> We perform tests of balances and transactions We use technology and tools, including data interrogation tools, to perform this process in a way that enhances effectiveness and efficiency
5. Concluding and reporting	<ul style="list-style-type: none"> We conclude on the sufficiency and appropriateness of our testing We finalize our report and provide you with our observations and recommendations

Our tailored audit approach results in procedures designed to respond to an identified risk. The greater the risk of material misstatement associated with the account, class of transactions or balance, the greater the audit emphasis placed on it in terms of audit verification and analysis.

Throughout the execution of our audit approach, we will maintain our professional skepticism, recognizing the possibility that a material misstatement due to fraud could exist notwithstanding our past experiences with the Municipality and our beliefs about management’s honesty and integrity.

Internal control

Our audit will include gaining an understanding of the Municipality's internal control over financial reporting. Our understanding will focus on processes associated with the identified risk areas, as described in this report. We use this understanding to determine the nature, extent and timing of our audit procedures.

Our understanding may also result in valuable internal control findings for your consideration. Note that the auditor's objectives with regards to internal control are different from those of management and those charged with governance. For example, we primarily target controls that relate to financial reporting and not those that relate to the Municipality's operations or compliance which may also be relevant to its objectives. Therefore, management and those charged with governance cannot solely rely on our findings to discharge their responsibilities in this area.

Quality control

We have a robust quality control program that forms a core part of our client service. We combine internationally developed audit methodology, advanced audit technology, rigorous review procedures, mandatory professional development requirements, and the use of specialists to deliver high quality audit services to our clients. In addition to our internal processes, we are subject to inspection and oversight by standard setting and regulatory bodies. We are proud of our firm's approach to quality control and would be pleased to discuss any aspect with you at your convenience.

IDEA Data Analysis Software

We apply our audit methodology using advanced software tools. IDEA Data Analysis Software is a powerful analysis tool that allows audit teams to read, display, analyze, manipulate, sample and extract data from almost any electronic source. The tool has the advantages of enabling the audit team to perform data analytics on very large data sets in a very short space of time, while providing the checks, balances and audit trail necessary to ensure that the data is not corrupted and that the work can be easily reviewed. SmartAnalyzer, an add-on to IDEA, further improves the efficiency and effectiveness of the audit by providing automated routines for certain common analytical tasks, such as identifying unusual and potentially fraudulent journal entries. Grant Thornton continues to invest in developing industry-leading audit data analytical tools.

Appendix B – PSAS

Accounting developments

Public Sector Accounting Standards	Effective date
<p>Section PS 3160 <i>Public Private Partnerships</i></p> <p>New Section PS 3160 <i>Public Private Partnerships</i> establishes standards on how to account for public private partnerships between public and private sector entities where infrastructure is procured by a public sector entity using a private sector partner that is obligated to design, build, acquire or better infrastructure; finance the infrastructure past the point where the infrastructure is ready for use and operate and/or maintain the infrastructure. Infrastructure typically includes items such as tangible capital assets (i.e., complex network systems), but may also include items that are intangible in nature. The main features of the new Section are:</p> <ul style="list-style-type: none">• The infrastructure is recognized as an asset when the public sector entity acquires control of the infrastructure. A liability is also recognized when the public sector entity recognizes an asset.• The infrastructure asset and corresponding liability are initially measured at the cost of the infrastructure asset.• Subsequent measurement of the infrastructure asset is based on the asset cost amortized in a rational and systematic manner over the useful life of the asset.• Subsequent measurement of the financial liability is at amortized cost using the effective interest method. When all or a portion of the liability represents a performance obligation, revenue is recognized, and the liability reduced in accordance with the substance of the public private partnership agreement (as performance is achieved).• Retrospective or prospective application is permitted.	<p>Fiscal years beginning on or after April 1, 2023.</p> <p>Earlier adoption is permitted.</p>

Public Sector Accounting Standards**Effective date**

Section PS 1000 *Financial statement concepts*, Section 1201 *Financial Statement Presentation*, and PSG-8 *Purchased intangibles*

Fiscal years beginning on or after April 1, 2023.

Section PS 1000 has been amended to remove the prohibition of recognition of purchased intangibles in public sector financial statements. Consequentially, Section PS 1201 has also been amended to remove disclosure requirements for unrecognized purchased intangibles since entities can now recognize purchased intangibles in their financial statements. Entities still reporting in accordance with Section PS 1200 *Financial Statement Presentation* can also adopt the amendments and recognize purchased intangible assets. New Public Sector Guideline, PSG-8 *Purchased intangibles*, has been issued to explain the scope of the intangibles that are allowed to be recognized in the financial statements given this amendment to Section PS 1000. However, it is important to note that no further recognition, measurement, disclosure and presentation guidance has been provided.

Earlier adoption is permitted.

The main features of PSG-8 include:

- A definition of purchased intangibles
- Examples of items that are not purchased intangibles
- References to other guidance in the PSA Handbook on intangibles
- Reference to the asset definition, general recognition criteria and the GAAP hierarchy for accounting for purchased intangibles
- Retrospective or prospective application is permitted.

Section PS 3400 *Revenues*

New Section PS 3400 *Revenue* establishes standards on how to account for and report on revenue. It does not apply to revenues for which specific standards already exist, such as government transfers, tax revenue or restricted revenues. The Section distinguishes between revenue that arises from transactions that include performance obligations (i.e., exchange transactions) and transactions that do not have performance obligations (i.e., non-exchange transactions). The main features of the new Section are:

Fiscal years beginning on or after April 1, 2023.

Earlier adoption is permitted.

- Performance obligations are defined as enforceable promises to provide specific goods or services to a specific payer
- Revenue from transactions with performance obligations will be recognized when (or as) the performance obligation is satisfied by providing the promised goods or services to the payer
- Revenue from transactions with no performance obligations will be recognized when a public sector entity has the authority to claim or retain the revenue and identifies a past transaction or event that gives rise to an asset

(NOTE: The effective date was previously April 1, 2022, but in August 2020, as a result of the COVID-19 pandemic, the Public Sector Accounting Board (PSAB) has deferred the effective date by one year.)

Section PS 3280 *Asset retirement obligations*

New Section PS 3280 *Asset Retirement Obligations* establishes standards on how to account for and report a liability for asset retirement obligations. An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset.

Fiscal years beginning on or after April 1, 2022.

Earlier adoption is permitted.

Asset retirement costs associated with a tangible capital asset increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner, while asset retirement costs associated with an asset no longer in productive use are expensed. Measurement of the liability for an asset retirement obligation should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date. A present value technique is often the best method to estimate the liability. Subsequent measurement of the liability can result in either a change in the carrying amount of the related tangible capital asset, or an expense, depending on the nature of the remeasurement or whether the asset remains in productive use.

(NOTE: The effective date was previously April 1, 2021, but in August 2020, as a result of the COVID-19 pandemic, the PSAB has deferred the effective date by one year.)

As a result of the issuance of Section PS 3280, the Public Sector Accounting Board (PSAB) approved the withdrawal of Section PS 3270 *Solid waste landfill closure and post-closure liability* as asset retirement obligations associated with landfills will be within the scope of PS 3280. PS 3280 does not address costs related to remediation of contaminated sites, which will continue to be addressed in Section PS 3260 *Liability for contaminated sites*. Some consequential amendments have been made to PS 3260 to conform with PS 3280 and further clarify the scope of each standard.

Section PS 3450 *Financial instruments*, Section PS 2601 *Foreign currency translation*, Section PS 1201 *Financial statement presentation*, and PS 3041 *Portfolio investments*

PS 3450 *Financial instruments* is a new Section that establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Some highlights of the requirements include:

- a public sector entity should recognize a financial asset or a financial liability on its statement of financial position when it becomes a party to the contractual provisions of the instrument
- financial instruments within the scope of the Section are assigned to one of two measurement categories: fair value, or cost / amortized cost
- almost all derivatives are measured at fair value
- fair value measurement is required for portfolio investments in equity instruments that are quoted in an active market
- other financial assets and financial liabilities are generally measured at cost or amortized cost
- until an item is derecognized, gains and losses arising due to fair value remeasurement are reported in the statement of remeasurement gains and losses when the public sector entity defines and implements a risk management or investment strategy to manage and evaluate the performance of a group of financial assets, financial liabilities or both on a fair value basis, the entity may elect to include these items in the fair value category
- additional disclosures with respect to financial instruments will be required, including the nature and extent of risks arising from a public sector entity's financial instruments

PS 2601 *Foreign currency translation* revises and replaces Section PS 2600 *Foreign currency translation*. Some highlights of the requirements include:

- the deferral and amortization of foreign exchange gains and losses relating to long-term foreign currency denominated monetary items is discontinued
- until the period of settlement, foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses rather than the statement of operations, unless an irrevocable election is made at initial measurement to recognize exchange gains and losses on a financial asset or financial liability directly in the statement of operations.

PS 1201 *Financial statement presentation* revises and replaces Section PS 1200 *Financial statement presentation*. The main amendment to this Section is the addition of the statement of remeasurement gains and losses.

PS 3041 *Portfolio investments* revises and replaces Section PS 3040 *Portfolio investments*.

The issuance of these new sections also includes consequential amendments to:

- Introduction to accounting standards that apply only to government not-for-profit organizations
- PS 1000 Financial statement concepts
- PS 1100 Financial statement objectives
- PS 2125 First-time adoption by government organizations
- PS 2500 Basic principles of consolidation
- PS 2510 Additional areas of consolidation
- PS 3050 Loans receivable
- PS 3060 Government partnerships
- PS 3070 Investments in government business enterprises
- PS 3230 Long-term debt

The new requirements are all required to be applied at the same time.

For governments - Fiscal years beginning on or after April 1, 2022.

For government organizations that applied the CPA Canada Handbook – Accounting prior to their adoption of the CPA Canada Public Sector Accounting Handbook - Fiscal years beginning on or after April 1, 2012.

For all other government organizations - Fiscal years beginning on or after April 1, 2022.

Earlier adoption is permitted.

(NOTE: For public sector entities other than government organizations that applied the CPA Canada Handbook – Accounting prior to adopting the CPA Canada Public Sector Accounting Handbook, the effective date was previously April 1, 2021, but in August 2020, as a result of the COVID-19 pandemic, the PSAB has deferred the effective date by one year.)

- PS 3310 Loan guarantees
- PS 4200 Financial statement presentation by not-for-profit organizations

PSG-6 *Including results of organizations and partnerships applying fair value measurement* was withdrawn as a result of the issuance of these sections.

In April 2020, the PSAB issued amendments to clarify aspects of Section PS 3450's application and add new guidance to its transitional provisions.

The amendments introduce changes to the accounting treatment for bond repurchase transactions. Specifically, the amendments no longer require bond repurchase transactions to be treated as extinguishments, unless they are discharged or legally released from the obligation or the transactions meet certain criteria to be considered an exchange of debt.

The amendments also provide clarification on the application of certain areas of Section PS 3450, these include:

- Section PS 3450 does not apply unless a contractual right or a contractual obligation underlies a receivable or payable
- how a transfer of collateral pursuant to a credit risk management mechanism in a derivative contract is accounted for, and
- derecognition of a financial asset does not occur if the transferor retains substantially all the risks and benefits of ownership

Finally, the amendments have added new guidance to the transitional provisions as follows:

- controlling governments should use the carrying values of the financial assets and liabilities in the records of its government organizations when consolidating a government organization
 - any unamortized discounts, premiums, or transaction costs associated with a financial asset or financial liability in the cost/amortized cost category should be included in the item's opening carrying value, and
 - in cases where derivatives were not recognized or were not measured at fair value prior to adopting PS 3450, any difference between the previous carrying value and fair value should be recognized in the opening balance of accumulated remeasurement gains and losses
-

Appendix C – Auditing developments

Canadian Auditing Standards (CASs) and other Canadian Standards issued by the AASB	Effective date
Revisions to CAS 600 <i>Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)</i>	Periods beginning on or after December 15, 2023.
<p>Many audits today are of group financial statements, also known as group audits, and these types of engagements can be very challenging. In April 2020, the IAASB issued an Exposure Draft proposing changes to ISA 600 and related ISAs with the goals of strengthening the auditor’s approach to planning and performing group audits and clarifying the interaction of ISA 600 with other ISAs and issued the final standard in 2022. The AASB issued the equivalent Canadian standard, which included the same revisions as the ISA with no Canada-specific amendments. The changes made to the standard were designed to:</p>	
<ul style="list-style-type: none">• Clarify the scope and applicability of the standard• Emphasise the importance of exercising professional skepticism throughout the group audit• Clarify and reinforce that all CASs need to be applied in a group audit situation• Focus the group engagement team’s attention on identifying and assessing the risks of material misstatement of the group financial statements and emphasise the importance of designing procedures to respond to those risks• Reinforce the need for robust communication between the group engagement team and component auditors	
<p>Include new guidance and considerations relating to testing common controls, addressing access restrictions, establishing materiality and documenting group audits.</p>	
Issuance of CSQM 1 <i>Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements</i>, CSQM 2 <i>Engagement Quality Control Reviews</i> and revised CAS 220 <i>Quality Control for an Audit of Financial Statements</i>	CSQM 1 is effective for audits or reviews of financial statements or other assurance engagements as of December 15, 2022 and related services engagements as of December 15, 2023.
<p>Auditors must effectively manage audit quality, both at the firm level and the engagement level. The IAASB recognised a need to strengthen standards addressing quality control and the AASB implemented similar changes to those made at the international level. In January 2021, the AASB unanimously approved the suite of quality management standards.</p>	
<p>CSQM 1 introduces a new approach to “managing quality”. Quality management is intended to be proactive in nature and to be a continuous process. Implementing the new standard requires firms to analyse and enhance many of their internal processes to achieve effective quality management. This standard replaces the extant standard, CSQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements</p>	CSQM 2 is effective for audits or reviews of financial statements with periods beginning on or after December 15, 2022, other assurance engagements beginning on or after December 15, 2022 and related services engagements beginning on or after December 15, 2023.
<p>CSQM 2 deals specifically with the topic of engagement quality reviews (EQRs), which are performed by firms to obtain an objective evaluation of the significant judgments made by the engagement team and the conclusions reached. The standards setters recognized the importance of EQRs and noted that many stakeholders (including oversight bodies) were concerned that the requirements of CSQM 1 with respect to EQRs were not sufficiently robust. As a result, CSQM 2 was issued. CSQM 1 deals with the topic of when an EQR should be performed, while CSQM 2 covers the appointment and eligibility considerations related to the person performing the EQR and the performance and documentation requirements.</p>	CAS 220 is effective for audits of financial statements for periods
<p>CAS 220 was revised to clarify and strengthen the key elements of quality management at the engagement level by:</p>	

Canadian Auditing Standards (CASs) and other Canadian Standards issued by the AASB	Effective date
<ul style="list-style-type: none"> • emphasizing that the engagement partner is responsible for managing and achieving quality at the engagement level • clarifying the engagement partner's responsibilities, and acknowledging the engagement partner can assign certain tasks/procedures to members of the engagement team who are appropriately skilled or suitably experienced in managing and achieving quality • modernizing the standard for the evolving environment 	beginning on or after December 15, 2022.
<p data-bbox="296 410 1104 435">Revisions to CAS 315 <i>Identifying and Assessing Risks of Material Misstatement</i></p> <p data-bbox="296 444 1423 565">In July 2018, the International Auditing and Assurance Standards Board (IAASB) issued an Exposure Draft proposing changes to ISA 315 that could drive more consistent and effective identification and assessment of the risks of material misstatement by auditors. The Auditing and Assurance Standards Board (AASB) published an Exposure Draft of the equivalent Canadian standard, which included the same proposed revisions as the ISA with no Canada-specific amendments. The revised CAS 315 has been issued and key amendments to the standard include the following:</p> <ul style="list-style-type: none"> • Focusing on the applicable financial reporting framework in identifying and assessing risks of material misstatement • Updating the understanding of the system of internal control, including clarifying the work effort for understanding each of the components of internal control and "controls relevant to the audit", as well as the relationship between this understanding and the assessment of control risk • Updating aspects relating to IT, in particular to the IT environment, the applications relevant to the audit and general IT controls relevant to the audit • Introducing the new concepts of inherent risk factors, relevant assertions, significant classes of transactions, account balances and disclosures, and the spectrum of inherent risk • Separating the inherent risk and control risk assessments for assertion level risks, enhancing the requirements relating to financial statement level risks, and updating the definition of "significant risks" 	Periods beginning on or after December 15, 2021.

TO	Audit Committee
PREPARED BY	Katrina Roefs, CPA, CA, Financial Analyst
MEETING DATE	March 23, 2023
SUBJECT	2023/24 Proposed Budget Impact on Financial Condition Indicators

ORIGIN

- Approved Audit Committee Work Plan – Item #9

RECOMMENDATION

That the Audit Committee receive the Briefing dated March 23, 2023 regarding the 2023/24 Proposed Budget Impact on Financial Condition Indicators as information.

INTENT

To provide an update on the impact that the 2023/24 proposed budget will have on the Municipality's Financial Condition Indicators.

DISCUSSION

Annually the Nova Scotia Department of Municipal Affairs and Housing compiles financial information from municipal units throughout the Province. This information is analyzed to determine the overall financial health of a municipality. Various Financial Condition Indicators (FCI) are calculated for each municipality within the Province.

The Municipality of the County of Kings continues to have a positive FCI report with all indicators being maintained within the low risk threshold established by the Province. The full report for the year ended March 31, 2021 is available [here](#)¹. At the time of this report the March 31, 2022 report has not yet been released.

The 2023/24 budget has been prepared with the goal of maintaining low risk status with each of the FCI. Appendix A outlines the various FCI, and includes:

- 2020/21 MOK score (the last published year by the Province)
- 2021/22 MOK score based on submitted Financial Information Return (FIR) and Audited Financial Statements (not yet published by the Province)
- 2022/23 MOK score based on available forecasts as fully detailed in the Q3 accountability report previously presented to Committee of the Whole
- 2023/24 MOK score based on the proposed 2023/24 budget for General Operations, Regional Sewer, Capital, and Reserves

Some indicators include additional information not known directly from forecasting and budgeting, therefore these indicators are marked as to be determined (TBD). However, in every instance those indicators are currently within the Provincial threshold and are anticipated to remain within those thresholds.

FINANCIAL IMPLICATIONS

¹ Municipal Report, Municipality of the County of Kings
<https://beta.novascotia.ca/sites/default/files/documents/1-3236/municipality-county-kings-municipal-profile-and-financial-condition-indicators-results-2021-en.pdf>

- No direct Financial Implications

STRATEGIC PLAN ALIGNMENT

	Strong Communities	
	Environmental Stewardship	
	Economic Development	
	Good Governance	
	Financial Sustainability	
✓	Other	Comply with annual financial reporting requirements and provide financial information for stakeholders.

APPENDICES

- Appendix A: Municipality of the County of Kings Financial Condition Indicator Results

APPROVALS

Mike Livingstone, CPA, Manager of Financial Reporting	March 20, 2023
Greg Barr, CPA, CGA, Director of Finance & IT	March 20, 2023
Scott Conrod, Chief Administrative Officer	March 21, 2023

Appendix A - Municipality of Kings Financial Indicator Results

Indicator	Description	2023/24 Budget	2022/23 Forecast	MOK Preliminary score 2021/22	MOK Score 2020/21	Provincial Threshold
3-year change in tax base	This indicator measures how a municipality's tax base keeps pace with inflation	12.5%	7.9%	8.1%	7.7%	Equal or Greater than Consumer Price Index
Reliance on a Single Business or Institution	This indicator speaks to the municipality's reliance on one employer for a significant portion of their tax base. Over reliance on any source of revenue can represent a vulnerability	2.2%	2.3%	2.4%	2.5%	Below 10%
Residential Tax Effort	Residential tax effort is the average property tax burden per household in the municipality. This indicator speaks to the municipality's flexibility to increase taxes if additional revenue is required.	2.3%	2.1%	1.9%	2.3%	Below 4%
Uncollected Taxes	This indicator speaks to a municipality's success in collecting revenues owed. Failure to collect taxes can significantly impact actual revenue, cash flow, and thereby could hinder their ability to provide services	TBD	TBD	3.2%	3.7%	Below 10%
Operating Reserves	This indicator speaks to if the municipality is setting aside funds to address unforeseen circumstances.	24.1%	31.5%	40.4%	36.7%	Above 20%
Debt Service	This indicator speaks to how much of municipal revenue is going towards paying off debt	1.8%	1.6%	1.6%	1.7%	Below 10%
Outstanding Operating Debt	This measure calculates the municipality's borrowing limit per the MGA Section 84.	0.0%	0.0%	0.0%	0.0%	Below 25%
Undepreciated Assets	This indicator speaks to the age of the municipality's existing capital assets (in relation to useful life)	59.1%	52.2%	53.6%	52.9%	Above 50%
Deficits in the last 5 years	This indicator speaks to the number of deficits a municipality experienced in the last 5 years. A high number of deficits may indicate a municipality is struggling to meet services, if there is a deficit, further investigation would be required to determine the size and cause of the deficit.	0/5	0/5	0/5	0/5	None in the last 5 years
Liquidity	This indicator speaks to whether the municipality has enough cash to pay bills as they come due. This indicator can highlight any cash flow problems or signal concerns in other areas such as potential revenue collection.	TBD	TBD	1.9	2.0	Greater than 1.5
Reliance on Government Transfers	This indicator speaks to the municipality's reliance on transfers from other government(s).	0.3%	0.4%	1.6%	1.6%	Below 15%
Combined Reserve	This indicator speaks to whether the municipality is investing enough to keep pace with the aging of existing assets, and unforeseen circumstances	68.5%	77.3%	86.7%	78.0%	Above 40%

Description	Summarized Approach	Target Date	March 20, 2023
<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 March 31, 2023 yearend is almost here and Grant Thornton has presented their Audit Plan & Strategy for this year's audit engagement.</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 Audit Committee on September 15, 2022.</p>

Description	Summarized Approach	Target Date	March 20, 2023
<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 was presented to the Audit Committee on September 15, 2022.</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	March 20, 2023
<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, 2023</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 has been on hold due to other priority items and it is likely to remain on hold in favor of items like budget preparation and implementation of PSAS 3280 Asset Retirement Obligations.</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	March 20, 2023
<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>New milestones and a target completion date will be re-evaluated once the procurement officer position has been filled</p>	<p>Delays as previously reported 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>A second round of interviews is currently underway for the Procurement Officer position</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>The draft report on FCIs for the 2020/21 fiscal period has been released and was discussed with the Audit Committee on December 22, 2022.</p> <p>The 2021/22 report is not yet available.</p>

Description	Summarized Approach	Target Date	March 20, 2023
<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>Audit Committee considered recommending appointment of the Municipal Auditor on December 22, 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 September 15, 2022.</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>This item will be brought to the Audit Committee following council approval of the budget.</p> <p>Budget and Finance Committee recommended the budget timeline to Municipal Council on December 13, 2022.</p>

Description	Summarized Approach	Target Date	March 20, 2023
<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, 2023</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 has been on hold due to other priority items and it is likely to remain on hold in favor of items like budget preparation and implementation of PSAS 3280 Asset Retirement Obligations.</p>