



**MUNICIPALITY OF THE DISTRICT OF WEST HANTS
Audit Committee Agenda
April 24th, 2019 6:00 p.m.
Sanford Council Chambers**

1. Call to Order
2. Announcements
3. Approval of Minutes of January 31st , 2019
4. Approval of Agenda, including additions or deletions
5. Presentation(s)
 - a. 2018-2019 Audit Overview -Kent & Duffett
 - b. Finance Process
6. Correspondence
7. Miscellaneous / New Business
8. Date of Next Meeting
9. Adjournment



**MUNICIPALITY OF THE DISTRICT OF WEST HANTS
Audit Committee Minutes
January 31, 2019, 6:00 p.m.
Sanford Council Chambers**

Present:	A. Zebian	Warden
	R. Hussey	Councillor District 6
	K. Munroe	Councillor District
	C. Rochon	Director of Finance
	G. Robinson	Member at Large
	H. Follett	Member at Large
	K. Ritchie	Administrative Assistant

Absent with Regrets: M. Laycock Chief Administrative Officer

1. Call to Order
called the meeting to order at 6:00 p.m.
2. Announcements
3. Approval of September 18, 2018 Minutes, including additions or deletions.
MOVED and SECONDED that the agenda be approved.
Motion Carried.
4. Approval of Agenda, including additions or deletions
MOVED and SECONDED that the agenda be approved.
Motion Carried.
5. Terms of Reference
Approval of the Terms of Reference and 2 new committee members Councilor Munroe and Glenn Robertson
MOVED and SECONDED that the Terms of Reference be approved.
Motion Carried.
6. **Presentation** (s) Financial Policy Presentation (see attached presentation)
The Director of Finance presented an overview of the financial policies that could impact the financial statements. The two biggest changes were the Acceptance of Donations Policy and Hospitality Policy. C. Rochon indicated that we would now be able to do Tax Certificates for received donations for the rink, fire or recreation. C. Rochon also indicated should anyone have any further questions regarding the policies to please contact her.
7. **Information Report** – Quarterly Month ending December 2018 (please see attached report) C. Rochon had announced that the third quarter posting have just been completed, and that the projections are more accurate now. C. Rochon also indicated with the shortages in Finance the reconciliation in the accounts isn't complete and there could be changes. C. Rochon also indicated that the auditors Kent & Duffit will be presenting at the next committee meeting. C. Rochon indicated that she can be available to answer further questions.

8. **Date of Next Meeting:** April 24th 6pm

Motion to Adjourn **MOVED and SECONDED**

9. Date of Next Meeting
The next Audit Committee will be April 24th 6pm.

10. Adjournment
**MOVED and SECONDED that the meeting adjourn.
Motion Carried.**

Meeting adjourned at 6:15 p.m.

Abraham Zebian, Chair

Incorporated partners
Forse Investments Limited
Crosby Smith Holdings Limited

(902) 678-1125 Fax (902) 678-1060
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March 1, 2019

Warden Abraham Zebian
Municipality of the District of West Hants
PO Box 3000, 76 Morrison Drive
Windsor NS B0N 2T0

Dear Warden Zebian and Members of County Council:

AUDIT ENGAGEMENT LETTER

You have requested that we audit the financial statements of the Municipality of the District of West Hants, which comprise the consolidated statement of financial position as at March 31, 2019, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

Our Responsibilities

We will conduct our audit of the Municipality of the District of West Hants in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

In making our risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

Unless unanticipated difficulties are encountered, our report will substantially follow the form of the Independent Auditors' Report accompanying this letter.

If we conclude that a modification to our opinion on the financial statements is necessary, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form, or have not formed, an opinion on the financial statements, we may withdraw from the audit before issuing an auditor's report or we may disclaim an opinion on the financial statements. If this occurs, we will communicate the reasons and provide you details of any misstatements identified during the audit.

Use and Distribution of our Report

The examination of the financial statements and the issuance of our audit opinion are solely for the use of Municipality of the District of West Hants and those to whom our report is specifically addressed by us. We make no representations of any kind to any third party in respect of these financial statements and we accept no responsibility for their use by any third party.

We ask that our name be used only with our consent and that any information to which we have attached a communication be issued with that communication, unless otherwise agreed to by us.

Reproduction of Auditor's Report

If reproduction or publication of our audit report (or reference to our report) is planned in an annual report or other document, including electronic filings or posting of the report on a website, a copy of the entire document should be submitted to us in sufficient time for our review before the publication or posting process begins.

Management is responsible for the accurate reproduction of the financial statements, the auditor's report and other related information contained in an annual report or other public document (electronic or paper-based). This includes any incorporation by reference to either full or summarized financial statements that we have audited.

We are not required to read the information contained in your website, or to consider the consistency of other information in the electronic site with the original document.

Management's Responsibilities

Our audit will be conducted on the basis that management and those charged with governance acknowledge and understand that they have responsibility for:

- a) the preparation and fair presentation of the financial statements in accordance with the Canadian Public Sector Accounting Standards;
- b) such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- c) providing us with:
 - i. unrestricted access to persons within the entity from whom we determine it is necessary to make inquiries;
 - ii. access to all information of which management is aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters; and

- iii. additional information that we may request from management for the purpose of the audit.

As part of our audit process, we will request from management and those charged with governance written confirmation concerning representations made to us in connection with the audit. Those representations may include

Financial Statements:

- a) Communicating that all responsibilities, as set out in the terms of this Engagements, for this preparation of the financial statements in accordance with Canadian Public Sector Accounting Standards, in particular, the financial statements are fairly presented;
- b) Communicating its belief that significant assumptions used in making accounting estimates, including those measured at fair value are reasonable;
- c) Acknowledging that all events subsequent to the date of the financial statements and for which Canadian Public Sector Accounting Standards require adjustment or disclosure have been adjusted or disclosed;

Completeness of information

- a) Providing us with and making available complete financial records and related data, and copies of all minutes of meetings of council, committee of council and other matters;
- b) Acknowledging that all transactions have been recorded and are reflected in the financial statements;
- c) Providing us with information relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements;
- d) Providing us with information relating to any illegal or possibly illegal acts, and all facts related thereto;
- e) Providing us with information regarding all related parties and related party transactions;
- f) Any additional information that we may request from management for the purpose of this audit; and
- g) Providing us with unrestricted access to persons within the entity from whom we determine it is necessary to obtain audit evidence.

Fraud and error

- a) Internal control that management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- b) An assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- c) Providing us with information relating to fraud or suspected fraud affecting the entity involving:
 - a. Management
 - b. Employees who have significant roles in internal control; or
 - c. Others, where the fraud could have a non-trivial effect on the financial statements;
- d) Providing us with information relating to any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- e) Communicating its belief that the effects of any uncorrected financial statement misstatements aggregated during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole;

Recognition, measurement and disclosure

- a) Providing us with its assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the financial statements;
- b) Providing us with any plans or intentions that may affect the carrying value or classification of assets or liabilities;
- c) Providing us with information relating to measurement and disclosure of transactions with related parties;
- d) Providing us with an assessment of all areas of measurement uncertainty known to management that are required to be disclosed in accordance with Measurement Uncertainty, the CICA Handbook – Accounting Section 1508;
- e) Acknowledging that no subsequent events occurred that require adjustment to the accounting estimates and disclosures included in the financial statements;
- f) Providing us with information relating to claims and possible claims whether or not they have been discussed with the Municipality’s legal counsel;
- g) Providing us with information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which the Municipality is contingently liable;
- h) Providing us with information on whether the Municipality has satisfactory title to assets, liens or encumbrances on assets exist, and assets are pledged as collateral;
- i) Providing us with information relating to compliance with aspects of contractual agreements that may affect the financial statements;
- j) Providing us with information concerning subsequent events; and
- k) Providing us with representations on specific matters communicated to us during the engagement.

Written confirmation of significant representations

- a) Providing us with written confirmation of significant representations provided to us during the engagement on matters that are:
 - a. Directly related to items that are material, either individually or in the aggregate, to the financial statements,
 - b. Not directly related to items that are material to the financial statements but are significant, either individually or in the aggregate, to the engagement; and
 - c. Relevant to your judgements or estimates that are material, either individually or in the aggregate, to the financial statements.

The Municipality’s management agrees to make available draft financial statements, including appropriate note disclosure and any accompanying other information in time to allow for the audit to be completed within the proposed timeframe. In addition, the Municipality’s management agree to inform us of any factors or circumstances that come to their attention during the period from the date of the auditor’s report to the date financial statements are issued that may impact the financial statements, including their disclosures.

While the report may be sent to the Municipality electronically by us for your convenience, only the signed (electronically or manually) report constitutes the Municipality’s record copy.

Preparation of Schedules

We understand that you will prepare the following schedules and will locate the following documents for our use at the dates specified:

- a) Prepare various schedules and analyses before our engagement is planned to commence; and
- b) Make various invoices and other documents available to our staff.

This assistance will facilitate our work and will help to minimize our costs. Any failure to provide these working papers or documents on a timely basis, may impede our services, and require us to suspend our services or withdraw from the engagement.

Working Papers

The working papers, files, other materials, reports and work created, developed or performed by us during the course of the engagement are the property of our Firm, constitute confidential information and will be retained by us in accordance with our Firm's policies and procedures.

File Inspections

In accordance with professional regulations (and by Firm policy), our client files may periodically be reviewed by practice inspectors and by other file quality reviewers to ensure that we are adhering to professional and Firm standards. File reviewers are required to maintain confidentiality of client information.

Governing Legislation

This engagement letter is subject to and governed by the laws of the Province of Nova Scotia. The Province of Nova Scotia will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts, to claim that the action has been brought in an inappropriate forum, or to claim that those courts do not have jurisdiction.

Dispute Resolution

You agree that:

- a) any dispute that may arise regarding the meaning, performance or enforcement of this engagement will, prior to resorting to litigation, be submitted to mediation; and
- b) you will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement.

Any mediation initiated as a result of this engagement shall be administered within the Province of Nova Scotia, according to its mediation rules, and any ensuing litigation shall be conducted within such province, according to provincial law. The results of any such mediation shall be binding only upon agreement of each party to be bound. The costs of any mediation proceeding shall be shared equally by the participating parties.

Indemnity

Municipality of the District of West Hants hereby agrees to indemnify, defend (by counsel retained and instructed by us), and hold harmless our firm and its partners, agents or employees, from and against any and all losses, costs (including solicitors' fees), damages, expenses, claims, demands or liabilities arising out of or in consequence of:

- a) The breach by the Municipality of the District of West Hants, or its directors, officers, agents, or employees, of any of the covenants made by the Municipality of the District of West Hants herein, including, without restricting the generality of the foregoing, the misuse of, or the unauthorized dissemination of, our engagement report or the financial statements in reference to which the engagement report is issued, or any other work product made available to you by our firm; and
- b) The services performed by us pursuant to this engagement, unless, and to the extent that, such losses, costs, damages and expenses are found by a court of competent jurisdiction to have been due to the negligence of our Firm. In the event that the matter is settled out of court, we will mutually agree on the extent of the indemnification to be provided by your company.

We will use all reasonable efforts to complete the engagement as described in this letter within the agreed upon time frames. However, we shall not be liable for failures or delays in performance that arise from causes beyond our control, including the untimely performance by the Municipality of the District of West Hants of its obligations.

Limitation of liability

In any action, claim, loss or damage arising out of the engagement, Municipality of the District of West Hants agrees that Kent & Duffett liability will be several and not joint and several and Municipality of the District of West Hants may only claim from Kent & Duffett, Kent & Duffett's proportionate share of the total liability based on degree of fault. In no event, shall Kent & Duffett be liable to Municipality of the District of West Hants whether the claim be in tort, contract or otherwise, for an amount in excess of the professional fees paid by Municipality of the District of West Hants for the engagement of Kent & Duffett. In no event, shall Kent & Duffett be liable to Municipality of the District of West Hants, whether the claim be in tort, contract or otherwise, for any consequential, indirect, lost profit or similar damages, or failure to realize expected savings, related to Kent & Duffett services provided under this engagement.

Fees

Our professional fees have been previously provided to you under separate correspondence as follows (for year 2019 \$34,600, year 2020 \$35,400 plus the applicable HST.) Our standard payment terms require payment in full within 30 days of the date the account is rendered. Interest at the rate of 21% per annum (1.75% monthly) will be charged on accounts not paid after 30 days.

We reserve the right to suspend our services or to withdraw from this engagement in the event that any of our invoices are deemed delinquent. In the event that any collection action is required to collect unpaid balances due us, you agree to reimburse us for our costs of collection, including lawyers' fees.

We will use all reasonable efforts to complete the engagement as described in this letter within the agreed upon time frames. However, we shall not be liable for failures or delays in performance that arise from causes beyond our control, including the untimely performance by the Municipality of its obligations.

Termination

If we elect to terminate our services for non-payment, or for any other reason provided for in this letter, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended, and to reimburse us for all of our out-of-pocket costs, through the date of termination.

Independent Contractor

Kent & Duffett shall provide all services as an independent contractor and nothing in the Engagement shall be construed as to create a partnership, joint venture or other similar relationship with the Municipality or any other party. Neither the Municipality nor Kent & Duffett shall have the right, power or authority to obligate or bind the other in any manner.

Severability

Each provision of this Engagement is severable and if any provision (in whole or in part) is or becomes invalid or unenforceable or contravenes any applicable regulations or laws, the remaining provisions and the remainder of the affected provision (if any) will not be affected.

Assignment

No assignment shall be made by either party of their respective obligations under this Engagement without the prior written consent of the other party.

Confidentiality

We will maintain the strictest confidence with respect to any client's or former client's information. Accordingly, your confidential information will not, without your consent, be disclosed to any individuals in our Firm beyond those who are engaged on your services. This policy applies to anyone outside the Firm, except as required by law or under the profession's Rules of Professional Conduct.

Publication

Unless otherwise permitted by the engagement, under no circumstances without the express prior written consent of Kent & Duffett, shall the Municipality disclose, release, use, make reference to, or quote Kent & Duffett's name, logo or any Deliverable (whether written or verbal) within any press release, press conference, website update, media release or any other form of public disclosure ("Disclosure Document") other than for litigation purposes, but only to the extent and in the manner that such use is contemplated by the Engagement. In the event the Municipality wishes to seek Kent & Duffett's consent as required by the Engagement, the Municipality shall provide to Kent & Duffett a copy of such Disclosure Document for prior approval, which approval may be unreasonably withheld.

Company representations, warranties, and covenants

The Municipality represent, warrants and covenants to Kent & Duffett that:

- a) The execution, delivery and performance of the Engagement has been duly authorized and does not conflict with or violate any contractual, statutory, common law, legal, regulatory or other obligation by which the Municipality is bound, and
- b) The Engagement is the legal, valid and binding obligation of the Municipality, enforceable in accordance with its terms.

Kent & Duffett represents, warrants and covenants to the Municipality that Kent & Duffett will provide the services described within the engagement in a professional and competent manner. Kent & Duffett makes no other representation or warranties and explicitly disclaims all other warranties and representations whether expressed or implied by law, usage of trade, course of dealing or otherwise.

Consent to production

The Municipality hereby acknowledges that we may from time to time receive requests or orders from professional (Provincial institutes) or other regulatory or governmental authorities (including the Canada Revenue Agency) to provide them with information and copies of documents in our files including working papers and other work-product relating to the Municipality's affairs. The Municipality consents to us providing or producing, as applicable, these documents and information without further reference to, or authority from, you.

When a regulatory authority requests access to our working papers and other work-product relating to the Municipality's affairs, we will, on a reasonable efforts' basis, refuse access to any document over which the Municipality has expressly informed us at the time of delivery that the Municipality asserts privilege, except where disclosure of documents is required by law or requested by a provincial Institute/Order of Chartered Professional Accountants pursuant to its statutory authority. The Municipality must mark any document over which it asserts privilege as privileged and inform us of the grounds for the Municipality's assertion of privilege (such as whether it claims solicitor-client privilege or litigation privilege).

We may also be required to provide information relating to the fees that we collect from the Municipality for the provisions of audit services, other accounting services and non-audit services, and the Municipality consents to the disclosure of that information as may be required by the regulatory authority.

Costs of Responding to Government Inspection, etc. including Canada Revenue Agency

If with respect to this audit engagement or related services, we are required by government regulation, subpoena, other legal process to produce our working papers, or to respond to information requests, we will bill the time incurred based on our regular rates plus direct out-of-pocket expenses and applicable HST.

Use of Information

It is acknowledged that we will have access to all personal information in your custody that we require to complete our engagement. Our services are provided on the basis that:

- a) you represent to us that management has obtained any required consents for collection, use and disclosure to us of personal information required under applicable privacy legislation; and
- b) we will hold all personal information in compliance with our Privacy Statement.

Client Communications

In connection with this engagement, we may communicate with you or others via telephone, facsimile, post, courier and e-mail transmission. As all communications, can be intercepted or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that communications from us will be properly delivered only to the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of communications transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from: communications, including any consequential, incidental, direct or indirect; special damages, such as loss of revenues or anticipated profits; or disclosure or communication of confidential or proprietary information.

Surviving provisions

The Municipality's obligation in respect of confidentiality, payment of fees and expenses, the Municipality consent to production and limitation of liability as outlined within the Engagement shall survive termination of the Engagement.

Other matters


The failure of either party to insist on strict performance of the Engagement, or to exercise any option herein, shall not act as a waiver of any right, promise or option, but the same shall be in full force and effect. No waiver of any term or provision or of any breach or default shall be valid unless in writing and signed by the party giving such waiver, and no such waiver shall be deemed a waiver of any other term or provision or any subsequent breach or default of the same or similar nature.

This engagement letter includes the relevant terms that will govern the engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties.

It is a pleasure to be of service to you, and we look forward to many years of association with you and your company. The terms of engagement as outlined above will continue in effect from year to year unless changed in writing. If you have any questions about the contents of this letter, please raise them with us. If the services outlined are in accordance with your requirements, and if the above terms are acceptable to you, please sign the copy of this letter in the space provided and return it to us.

Yours truly,

KENT & DUFFETT

Per 
Andy Forse, CPA, CA
Incorporated partner
Forse Investments Limited

/ar

We agree with your understanding of the terms of your engagement as auditors of the company as set out in this letter.

_____ (signature)

_____ (title)

_____ (date)

INDEPENDENT AUDITOR'S REPORT

His Worship the Warden and Members of Council of the Municipality of the District of West Hants

Opinion

We have audited the consolidated financial statements of the **Municipality of the District of West Hants** which comprise the consolidated statement of financial position as at **March 31, 2019**, consolidated statement of financial activities, consolidated change in net assets and consolidated cash flow for the year then ended, and notes to the financial statements, including a summary of significant

In our opinion, the accompanying consolidated financial statements of the Municipality of the District of West Hants are prepared, in all material respects, in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Municipality of the District of West Hants in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those charged with governance are responsible for overseeing the Municipality of the District of West Hants' financial reporting process.

Incorporated partners
Forse Investments Limited
Crosby Smith Holdings Limited

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INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality of the District of West Hants' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality of the District of West Hants ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality of the District of West Hants to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kentville, Nova Scotia
DATE

Chartered Professional Accountants
Licensed Public Accountants
Registered Municipal Auditor

Incorporated partners
Forse Investments Limited
Crosby Smith Holdings Limited

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www.kentandduffett.ca

March 1, 2019

Warden Abraham Zebian
Municipality of the District of West Hants
PO Box 3000, 76 Morrison Drive
Windsor NS B0N 2T0

To those charged with governance:

AUDIT INDEPENDENCE LETTER

We have been engaged to audit the financial statements of the Municipality of the District of West Hants for the year ending March 31, 2019.

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between the Municipality and Kent & Duffett that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the appropriate provincial institute / order and applicable legislation, covering such matters as:

- a) Holding a financial interest, either directly or indirectly, in a client
- b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- d) Economic dependence on a client; and
- e) Provision of services in addition to the audit engagement.

The following comments have been prepared to facilitate our discussion with you regarding independence matters.

We are not aware of any relationships between the Municipality of the District of West Hants and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence, that have occurred from March 15, 2018 to March 1, 2019.

This report is intended solely for the use of those to whom it is addressed and others within the Municipality and should not be used for any other purposes.

Yours truly,

KENT & DUFFETT

Per


Andy Forse, CPA, CA,

/ar

Incorporated partners
Forse Investments Limited
Crosby Smith Holdings Limited

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www.kentandduffett.ca

April 24, 2019

Warden Abraham Zebian
Municipality of the District of West Hants
PO Box 3000, 76 Morrison Drive
Windsor NS B0N 2T0

To the Audit Committee;

Re: Audit Planning

We are writing this letter in connection with our audit of the financial statements for the period ending March 31, 2019.

Our purpose in writing is to ensure effective two-way communication between us in our role as auditors and yourselves with the role of overseeing the financial reporting process. Canadian auditing standards require that we communicate the following information with you in relation to your audit. In this letter we will:

- a) Address our responsibilities as independent auditors and provide information about the planned scope and timing of our audit.
- b) Request a response to some audit questions and any additional information you may have that could be relevant to our audit.

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.

Communication regarding our independence are set out in the independence letter that dated April 24, 2019.

Auditor Responsibilities

The respective responsibilities of ourselves and of management in relation to the audit of financial statements are set out in the engagement letter that was dated March 1, 2019.

Audit Committee Members' Responsibilities

The audit committee's role is to act in an objective, independent capacity as a liaison between the auditors, management and council, to ensure the auditors have a facility to consider and discuss governance and audit issues with parties not directly responsible for operations.

The audit committee's responsibilities include:

- Being available to assist and provide direction in the audit planning process when and where appropriate;
- Meeting with the auditors as necessary and prior to release and approval of financial statements to review audit, disclosure and compliance issues;
- Help set the tone for the organization by emphasizing honesty, ethical behavior and fraud prevention;
- Oversee management, including ensuring that management establishes and maintains internal controls to provide reasonable assurance regarding reliability of financial reporting;
- Where necessary, reviewing matters raised by the auditors with appropriate levels of management, and reporting back to the auditors their findings;
- Making known to the auditors any issues of disclosure, corporate governance, fraud or illegal acts, non-compliance with laws or regulatory requirements that are known to them, where such matters may impact the financial statements or auditor's report;
- Providing guidance and direction to the auditors on any additional work they feel should be undertaken in response to issues raised or concerns expressed;
- Making such enquiries as appropriate into the findings of the auditors with respect to corporate governance, management conduct, cooperation, information flow and systems of internal controls; and
- Reviewing the draft financial statements prepared by management, including the presentation, disclosures and supporting notes and schedules, for accuracy, completeness and appropriateness, and approves same to be passed to council for approval.
- Recommend the nomination and compensation of external auditors to council;

Planned Scope and Timing of Our Audit

Our objective as auditors is to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with Canadian Public Sector Accounting Standards.

In developing our audit plan, we worked with management to understand the nature of the entity and to identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error. Our audit plan has been designed to focus on the identified areas of risk.

Audit Procedures

In responding to our risk assessment, we will use a combination of tests of details and substantive analytical procedures. The objective of the tests of details is to detect material misstatements in the account balances and transaction streams. Substantive analytical procedures are used to identify differences between recorded amounts and predictable expectations in larger volumes of transactions over time.

Our audit includes:

- Assessing the risk that the financial statements may contain misstatements that, individually or in the aggregate, are material to the financial statements taken as a whole; and
- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

As part of our audit, we will obtain a sufficient understanding of the business and the internal control structure of the Municipality of District of West Hants to plan the audit. This will include management's assessment of:

- The risk that the financial statements may be materially misstated as a result of fraud and error; and,
- The internal controls put in place by management to address such risks.

Throughout the execution of the 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 or our beliefs about management's honesty and integrity.

Risk-based

Our risk-based approach focuses on obtaining sufficient appropriate audit evidence to reduce the risk of material misstatement in the financial statements to an appropriately low level. This means that we focus our audit work on higher risk areas that have a higher risk of being materially misstated.

Materiality

Materiality in an audit is used to:

- Plan and perform the audit;
- Guide planning decisions on the nature and extent of our audit procedures;
- Assess the sufficiency of the audit evidence gathered; and
- Evaluate the effects of identified and uncorrected misstatements on the audit procedures performed as well as on the financial statements.

Materiality is defined as:

The term used to describe the significance of financial statement information to decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision. Materiality is a matter of professional judgment in the particular circumstances.

We plan to use a materiality of \$322,000 for the General Fund and \$10,000 for Water Utility Funds
The materiality amount will be reassessed at period end to ensure it remains appropriate.

Fraud risk factor considerations

We are responsible for planning and performing the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement caused by error or by fraud. Our responsibility includes:

- The identification and assessment of the risks of material misstatement of the financial statements due to fraud through procedures including discussion amongst the audit team and specific inquiries of management.
- To obtain sufficient appropriate audit evidence to respond to the fraud risks noted; and
- To respond appropriately to any fraud or suspected fraud identified during the audit.

The following provides a summary of some of the fraud related procedures performed during the audit:

- 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 (or the lack thereof) for significant transactions that are or appear to be outside the normal course of business.

Significant Changes During Period

The significant changes that we addressed in planning the audit for the current period are set out below:

- a) entity operations and personnel - No significant changes
- b) accounting and control systems – No significant changes.
- c) accounting and auditing standards - No significant changes
- d) other - None noted

Internal Control

To help identify and assess the risks of material misstatement in the financial statements, we obtain an understanding of internal control relevant to the audit. This understanding is used in the design of appropriate audit procedures. It is not used for the purpose of expressing an opinion on the effectiveness of internal control. Should we identify any significant deficiencies in the internal control and accounting systems, we will communicate them to you in our audit findings letter.

Significant Risks

In planning our audit, we identify significant financial reporting risks that, by their nature, require special audit consideration. Outlined below are certain aspects of our audit approach which are intended to help you in discharging your oversight responsibilities. Our general approach to the audit of the Municipality of the District of West Hants is to assess the risks of material misstatement in the financial statements and then respond by designing audit procedures.

The significant risks we have identified and our proposed audit response is outlined below:

Significant Risks	Proposed Audit Response
Revenue recognition and completeness	<ul style="list-style-type: none"> • Analytical procedures • Substantive testing of revenues, including the consistent application of accounting policies • Review of cut-off procedures • Third party confirmation • Recalculation of tax revenues
Management override	<ul style="list-style-type: none"> • Inquiries of management • Detailed review of journal entries • Review of related-party transactions and management estimates

Accounts payable - completeness	<ul style="list-style-type: none"> • Analytical procedures • Substantive testing, primarily inspection of source documents, ledgers & banking information
Expenses (including payroll) – existence and completeness	<ul style="list-style-type: none"> • Inspection of and vouching to supporting documentation • Tests of controls • Analytical procedures
Accounts receivable - existence	<ul style="list-style-type: none"> • Agreeing of receivable balances to supporting documentation • Confirmation of significant receivable balances

If there are specific areas that warrant our particular attention during the audit or where you would like us to undertake some additional procedures, please let us know.

Uncorrected Misstatements

Where we identify uncorrected misstatements during our audit, we will communicate them to management and request that they be corrected. If not corrected by management, we will then request that you correct them. If not corrected by you, we will also communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Audit Findings

At the conclusion of our audit, we will prepare an audit findings letter to assist you with your review of the financial statements. This letter will include our views and comments on matters such as:

- significant matters, if any, arising from the audit that were discussed with management;
- significant difficulties, if any, encountered during the audit;
- qualitative aspects of the entity’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- uncorrected misstatements; and
- any other audit matters of governance interest.

Timing

The proposed timing of our audit (as discussed with management) is as follows:

Action	Planned Date
Planning of audit	February 2019
Planning meeting with audit committee	April 2019
Start of audit field work	May 2019
End of audit field work	June 2019
Present audit findings letter to audit committee	August 2019
Approval of financial statements by the Council	September 2019
Provide the audit opinion on financial statements	September 2019

Engagement Team

Our engagement team for this audit will consist of the following personnel:

Name	Role	Contact Details
Andy Forse, CPA, CA	Partner	678-1125 andy@kentandduffett.ca
Beth Crosby, CPA, CA	Team Leader	678-1125 beth@kentandduffett.ca

Audit Questions and Requests

Fraud

To help us in identifying and responding to the risks of fraud within the entity, we would appreciate your responses to the following questions:

1. What oversight, if any, do you provide over management's processes for identifying and responding to fraud risks? Management's processes could include policies, procedures, programs or controls that serve to prevent, detect and deter fraud.
2. Do you have any knowledge of any actual, suspected or alleged fraud, including misappropriation of assets or manipulation of the financial statements, affecting the entity? If so, please provide details and how the fraud or allegations of fraud were addressed.

Related Party Transactions

During our audit, we conduct various tests and procedures to identify transactions considered to involve related parties.

Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other.

Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management, council and their immediate family members and companies with which these individuals have an economic interest.

We will ensure that all related party transactions, including all gains and losses occurring as a result of transactions with related parties, that were identified during the audit have been represented by management to have been disclosed in the notes to financial statements, recorded in accordance with Canadian Public Sector Accounting Standards, and have been reviewed with you. Management has advised that no other related party transactions have occurred that have not been disclosed to us. The audit committee is required to advise us if they are aware of or suspect any other related party transactions have occurred which have not been disclosed in the financial statements.

Other Matters

Would you please bring to our attention any significant matters or financial reporting risks, of which you are aware, that may not have been specifically addressed in our proposed audit plan. This could include such matters as future plans, contingencies, events, decisions, non-compliance with laws and regulations, potential litigation, specific transactions (such as with related parties or outside of the normal course of business) and any additional sources of audit evidence that might be available.

We recognize your significant role in the oversight of the audit and would welcome any observations on our audit plan.

This letter was prepared for the sole use of those charged with governance of the Municipality of the District of West Hants to carry out and discharge their responsibilities. The content should not be disclosed to any third party without our prior written consent, and we assume no responsibility to any other person.

Yours truly,

KENT & DUFFETT

Per



Andy Forse CPA, CA
Incorporated partner
Forse Investments Limited

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