



**West Hants**  
something inspiring awaits

**WEST HANTS REGIONAL MUNICIPALITY  
Audit Committee – Meeting Agenda **AMENDED**  
**May 24 May 31, 2023, 6:00 p.m.**  
Council Chambers, 76 Morison Drive, via Zoom & Facebook Livestreamed**

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1. Call to Order
2. Declaration(s) of Conflict of Interest
3. Announcements
4. Approval of Agenda, including additions or deletions
5. Approval of March 8, 2023 Minutes, including additions or deletions
6. New Business
  - (a.) West Hants Regional Municipality Audit Plan – Auditor Andy Forse, Kent & Duffett
  - (b.) Asset Retirement Obligations – Auditor Andy Forse, Kent & Duffett
  - (c.) Mentorship Verbal Update – Kevin Matheson
  - (d.) Financial Update – March 31, 2023 – Diana Gibson, Acting Director, Financial Services
  - (e.) 2023-24 Budget Verbal Update – Diana Gibson, Acting Director, Financial Services
7. Date of Next Meeting
8. Adjournment



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**WEST HANTS REGIONAL MUNICIPALITY**

**Audit Committee Meeting Minutes**

**May 24 May 31, 2023, 6:00 p.m. - AMENDED**

**Council Chambers, 76 Morison Drive, via Zoom & Facebook Livestreamed**

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<b>Present :</b>	Abraham Zebian	Mayor / Committee Chair
	Jeff Hartt	Councillor, District 4
	Laurie Murley	Councillor, District 10
	Kathryn Duffy	Resident Member
	Meagan Halverson	Resident Member
	Diana Gibson	Acting Director of Financial Services
	Mark Phillips	Chief Administrative Officer (CAO)
	Carmen Dewar-Miller	Admin Assistant, Financial Services
	Andy Forse	Auditor, Kent & Duffett
	Kevin Matheson	Financial Mentoring Consultant

1. Call to Order – Mayor Zebian called the meeting to order at 6:03 p.m. He acknowledged that the West Hants Regional Municipality is in Mi'kma'ki, the ancestral and unceded territory of the Mi'kmaq People.
2. Declaration(s) of Conflict of Interest – None
3. Announcements – This is a rescheduled meeting from last week, May 24, 2023.
4. Approval of Agenda, including additions or deletions  
**Moved by Councillors Murley and Hartt and that the agenda be approved.**  
**Motion Carried.**
5. Approval of March 8, 2023 Minutes, including additions or deletions  
**Moved by Councillor Murley and Resident Member Duffy that the March 8, 2023 minutes be approved.**  
**Motion Carried.**
6. New Business
  - (a.) West Hants Regional Municipality Audit Plan – Auditor Andy Forse, Kent & Duffett  
Mr. Forse provided a brief overview of the audit process. The point of the audit is to offer an opinion on the fairness of our financial statements as they appear for the year ending March 31, 2023. Auditors take an unbiased point of view and

let the evidence do the talking. They make their conclusions based on gathering sufficient and appropriate audit evidence. They offer an “unqualified” audit opinion. This means they have no qualifications over the financial statements, not that they are unqualified to offer an opinion. The financial statements must represent fairly according to the Public Sector Accounting Standards.

What does fairness mean? What magnitude of error or omission would cause the opinion to change? An exaggerated example of materiality ... out by one pencil? Probably don't care that much. Theft of a million dollars? A reasonable user would care. They quantify materiality but it's really a qualitative measure. You could have Accounts Receivable with prepayments netted against their receivables (happens every year in municipal units, businesses), in the amount of \$50,000. Would anyone care if receivables / payables were understated by \$50,000? Maybe not. But would someone care if there was a theft of \$50,000? Yes. Looking for what a reasonable person with good business knowledge would find concerning. Do financial statements portray an accurate snapshot of the financial picture.

Users / residents care about how closely municipalities control their expenditures. This is the area most at risk of intentional error. Controls are tested extensively. Over the last seven years, through a great deal of internal change (staff, consolidation), there has been consistently good testing. Controls have always been strong, the gold standard. The last five to ten years saw a tremendous amount of fraud, financial dysfunction in NS not-for-profits and municipal units (CBRM, Bridgetown, etc.).

One example of a control in place is having double signed cheques. This on its own, is not enough. The tone at the top (strong governance function / Council), is really important. Has always been strong with West Hants, continues to be so with the new entity and staff. A meaningful budget process is critical to internal controls. Ongoing evaluation of budget spending and comparison of results to budget with a significant follow-up and adjustment process. Mr. Forse encouraged committee and council members to ask questions. Be inquisitive and even skeptical. The whole oversight function contributes to a continuing process of excellence. Important to bring it to the forefront every year.

Auditors have to be able to evaluate the design of our controls. Do we have controls in place to prevent material misstatements from happening? Yes, strong controls. Auditors are allowed to use this as a form of audit evidence. A nice luxury to have. To the viewers – there are strong controls in place that should reasonably prevent fraud, misappropriation, misstatement.

Design evaluation is not enough. Auditors need to do sample testing, about 100 cheques each year. Controls are working as designed. Good design and management. They rely on controls and corroborating evidence around expenditures. Sampling and analytical tools. They use an AI tool to look for unusual trends. When are things posted? Timing could indicate a higher possibility for fraud.

On the revenue side, with access to assessment rolls and the tax rates, they are able to recalculate or vouch for with supporting documentation, most of that revenue, down to the penny. Never any errors in that regards, primary source of evidence over revenues. They also do some analytical review, number crunching and use AI testing and inspection of source documentation.

On the statement of financial position side and the note disclosures, it is more of a mixed bag. They have to gather enough high-quality evidence such as third-party confirmations (banks), to speak to reliability. Inquiries are the least reliable source of evidence. For most of the areas they are able to get third-party confirmations (MFC, the bank). At least two, if not three, sources of audit evidence. That process would only change year to year if there were significant changes to operations. There are a few new public sector accounting standards, but no major changes.

- (b.) Asset Retirement Obligations – Auditor Andy Forse, Kent & Duffett
- Mr. Forse advised that of the three, recent, major changes to Public Sector Accounting, two would possibly apply to West Hants:
- Portfolio investments. If the municipality had trust funds invested with a funds manager or some GICs, there is a new standard on how those should be accounted for (must show fair market value). Not a huge issue for the municipality.
  - Asset Retirement Obligations (causing consternation, implementation has been delayed at least three times). Education needed at the management level of municipal units to be able to identify what would fall under the category of needing to be retired. Most people just assumed that landfills were the obvious examples (they are). Also includes remediation (asbestos removal). Has to be identified in WHRM buildings. Do they meet ARO criteria? Few other accounting levels – can you measure it? Cost? If yes, it has to be recorded. How do we measure that? It is expensive, you have to hire a consultant (tens of thousands of dollars).

Auditors were hoping the government would come through with more education. This is happening in Nova Scotia. Especially around these two areas. Also, wells which may need to be closed over time. These aren't so bad, easy to measure, low-cost.

We don't have to worry about asbestos in roads. No remediation process involved – you tear it up, put new material down.

Mr. Forse has tasked Acting Director Gibson with helping to identify these assets via a letter she received a week ago. Mr. Forse reads the letter, which included a series of questions to be answered. Acting Director Gibson must reach out to relevant departments and utilities for the answers. Acting Director Gibson to work on this. Auditor Forse would like to receive a written response back by June 20<sup>th</sup> (start of audit field work), or sooner. Acting director Gibson has already started this process.

It is a trickier process that will get fleshed out over time. The concern within the audit profession was that they would need consulting reports which could become expensive. They were hoping to have clarification on this. If the answer is “no”, what would be sufficient on the auditors' end for them to provide? Thankfully, the province has come back to say that you do not have to have that consulting report. They have offered some guidance from an auditing compliance point of view. A low-level approach is the best they've got. The auditors are hoping for a thorough response to their letter. Also, that the Audit Committee and Council can be helpful to the process by asking questions. This is a fairly robust new standard. It will become easier.

There was a question regarding the municipality having a consolidated asset management system containing a listing of facilities and all other aspects under review.

Acting Director Gibson responded that the municipality does have an asset management system, as well as an asset depreciation sheet. There was a meeting with Public Works and Items have been identified and included as part of the budget. She is ready with the auditors' requirements, just has to respond with the letter.

Per Mr. Forse, Acting Director Gibson was only one in all of the audits they've done, to be this ready. Still a level of discomfort out there surrounding this process. The municipality is on the right track.

(c.) Mentorship Verbal Update – Kevin Matheson (6:31)

As a first step Mr. Matheson went in and met with all Finance staff individually. It was an enjoyable experience. He is used to walking in and dealing with different levels of contentedness and trust. The WHRM Finance Team pulls in the right direction. He did not see signs of silos, or empire building. People had a good understanding of their roles and the expectations surrounding their jobs. There were some individual concerns around certain functions but within the normal

course. He noted how much was being accomplished, even being down two staff. Very impressive as well.

Mr. Matheson was asked to go through and look at the adjusted entries from last year's audit. He went back through them and found that the 34 entries requiring adjustment were related to nine issues. There was a common thread – they were all being dealt with right at the time the Finance Director went on leave and Acting Director Gibson was taking over (during late stages).

There is a good plan in place to avoid these adjustments this year. Mr. Matheson went back and ensured all entries were posted correctly internally and externally and reconciled with the audit trial balances. They can be confident that there will be a good starting point this year.

Regarding FIR (Financial Indicators Report), it hadn't been finished when Mr. Matheson started, but was subsequently completed by the auditors and sent through to the province. There has been some back and forth with the province on a couple of issues, particularly debt. Mr. Matheson helped reconcile these a couple of weeks ago. Everything should be finalized on the financial information return now. Mr. Matheson has recommended that FIR be done in-house going forward. Once you know your trial balances are close to being done, start compiling the information for the province as soon as possible. If it is delayed, it can hold up funding.

Mr. Matheson has also spent some time looking at the reserves and the accounting surrounding them. Not as clean as they could be. The actual reserve equities are correct but require some clean-up to allow for more transparency and understanding. He provided a memo to Acting Director Gibson on how to address this and he will review this with her to ensure that it is implemented.

Mr. Matheson did a debt reconciliation - should be nice and clean for this year's audit. He feels there is a good understanding on that end.

There were some concerns raised around capital project tracking and how to better track those projects and make the process more user-friendly. Came up with a solution recommended by the CAO. Follow the same process for tracking all capital projects. G/L # is used across all areas of the project which should clear up some misunderstandings. That is progressing.

Mr. Matheson has made himself available to respond to any questions from Acting Director Gibson. He feels that things are looking good going into this year's audit.

There was a question regarding challenges surrounding the operating effectiveness of controls with the Financial Services department being down two staff.

Acting Director Gibson does not believe there will be any major impact on the audit. They have been able to shift tasks around within the department to accommodate.

CAO Phillips offered his thanks to Mr. Forse and Mr. Matheson. We have had an identification process, an investigation and a resolution. All parties were transparent and open to the process. We have taken the right path to relieve people. There were some issues we needed to address. Thanks Mr. Forse and to the finance staff. Appreciation for Mr. Matheson and his approach.

Mr. Forse added that he did recommend the mentorship process for some assistance to Acting Director Gibson. He feels it is important to mention, that the job is absolutely impossible without a lot of assistance when you start. There are no courses for public sector accounting, it requires a very substantial background in accounting. Plus, three years in the job. It is a very, very tough job, not fair to Acting Director Gibson, who is someone with a lot of skill and incredible attitude. Happy that it was taken so openly. Another example of a well-functioning department. Super happy that Mr. Matheson took on the role of mentor.

Mayor Zebian added that Council is very happy with Acting Director Gibson. They appreciate her presentation and explanations and have full confidence in her.

(d.) Financial Update – March 31, 2023 – Diana Gibson, Acting Director, Financial Services

This represents the 2022-23 Fiscal Year. The figures in the package represent a halfway point on the year-end adjustments and journal entries that need to be done. There will be a change before final statements are presented to the auditors. Expecting a surplus of over two million. This will be transferred to the regional operating reserve. Revenues came in 5% higher and Expenses 3% lower than budgeted.

Regarding revenues, there were some areas where we did not reach projections such as the HST Offset Grant. As well, Community Development saw lower than projected revenue. The 2023-24 budget will provide more assistance for programs. We are able to use safe restart funds and had deed transfer tax come in above budget.

Regarding expenses, most categories are slightly over budget. The municipality did struggle to get a full staff complement over several departments. This year we are closer to full complement, expenses will be closer.

Acting Director Gibson advised that approximately \$80,000 of Safe Restart was used to top Facilities up.

(e.) 2023-24 Budget Verbal Update – Diana Gibson, Acting Director, Financial Services

Acting Director Gibson provided a quick update, mainly for the committee's resident members. The 2023-24 Budget was passed by Council on April 25, 2023. It included a reduced tax rate in all areas (down four cents in West Hants, 21 cents in Windsor and 28 cents in Hantsport). Road maintenance has been general rated across the municipality. Even with that decrease, tax revenue will be up 6.7%. Expenses are up 8%. Two new positions have been created, an HR Specialist and a full-time MCCAP Coordinator. The 2022-23 reliance on reserves to sustain our tax rates has been fully removed. We have increased our investment in reserves and lowered our reliance on long-term debt. We have 18 million worth of capital projects planned for the region.

The municipality has created an ARO (Asset Retirement Obligation) reserve. We have a closed landfill in West Hants for which we moved the funds from that reserve to the ARO reserve.

The Municipality will be subsidizing 75% of the cost of Community Development's recreation programming. Council has also approved the West Hants Inspire Fund to assist residents with the cost of participating in programs offered in the municipality, but not necessarily by the municipality.

Acting Director Gibson then responded to the following questions submitted in advance of this meeting.

- Regarding the increase of revenue matching the increase of expenses and what happens should the housing market take a significant decrease and deed transfer tax come in lower?
  - We are required through the MGA (Municipal Government Act) to present a balanced budget. There was a surplus amount of revenue over expenses which we have used to invest in reserves. If something like that were to happen, we would reduce contributions to the reserve to keep us from going into a deficit situation.
- How much did the budget decrease from actual?
  - At this point it would be an increase from last year but we don't yet have the final numbers.

- What are the chances of the Deed Transfer Tax coming in low? Would that require a tax increase next year?
  - This is a possibility. During budget deliberations Council decided they were comfortable with a projection of two-million-dollars for deed transfer tax this year. If such a thing were to happen, we would lower contributions to reserves. Policy prohibits the municipality from going into a deficit to contribute to reserves. Even if there were a deficit this year, that won't directly affect next year's tax rate. It is based on the year that you are budgeting for. There is confidence that there will be no tax increase next year even if a deficit happened this year.

There was a question surrounding the amount that was moved from the Landfill Retirement fund to the new ARO reserve. Acting Director Gibson did not have the exact amount on hand but believes it was around \$160,000 that got moved.

Mayor Zebian stated that it was a pretty good budget year with impactful and meaningful changes. Happy with the health of the regional municipality. Nice to hear great comments from Mr. Forse and Mr. Matheson. Very reassuring. We appreciate all you've done, thank you.

7. Date of Next Meeting – tentative for early fall once the audit is ready to present.
8. Adjournment – Mayor Zebian called for a motion to adjourn.  
**Moved by Councillor Murley and Resident Member Halverson that the meeting be adjourned.**  
**Motion Carried.**

*The meeting was adjourned at 6:57*

X

Committee Chair