



WEST HANTS REGIONAL MUNICIPALITY
Audit Committee – Meeting Agenda **AMENDED**
July 22, 2020, 6:00 p.m.
Virtual Meeting via ZOOM

1. Call to Order
2. Declaration(s) of Conflict of Interest
3. Announcements
4. Approval of Minutes – there are no minutes to approve
5. Approval of Agenda, including additions or deletions
6. Presentation(s)
 - (a.) West Hants Audit Plan – Auditors from Kent & Duffett
 - (b.) Town of Windsor Audit Plan – Auditors from Grant Thornton LLP
7. New Business
 - (a.) Approval of Terms of Reference
8. Updates
 - (a.) Director, Financial Services
9. Date of Next Meeting
10. Adjournment

Incorporated partners
Forse Investments Limited
Crosby Smith Holdings Limited

(902) 678-1125 Fax (902) 678-1060
www.kentandduffett.ca

April 24, 2020

Mayor Abraham Zebian
West Hants Regional Municipality
PO Box 3000, 76 Morrison Drive
Windsor NS B0N 2T0

To the Audit Committee;

Re: Audit Planning for the Municipality of the District of West Hants

We are writing this letter in connection with our audit of the financial statements for the period ending March 31, 2020.

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 is set out in the independence letter dated April 24, 2020.

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, 2020.

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, including the presentation, disclosures and supporting notes and schedules, for accuracy, completeness and appropriateness.
- 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 \$30,000 for the Water Utility.

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 – Final year prior to consolidation.
- b) Accounting and control systems – No significant changes.
- c) Accounting and auditing standards - No significant changes

Please note: There are significant changes to Public Sector Accounting Standards beginning for your March 31, 2022 year end (of the new entity). Changes include new standards on revenue, financial statement presentation, portfolio investments, financial instruments, asset retirement obligations and foreign currency translation. We would be happy to assist you update your standards at your discretion.

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 2020
Planning meeting with audit committee	July 2020
Start of audit field work	July 2020
End of audit field work	Summer 2020
Present audit findings letter to audit committee	September 2020
Approval of financial statements by the Council	September 2020
Provide the audit opinion on financial statements	September 2020

Engagement Team

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

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

/am

Town of Windsor

For the year ended March 31, 2020

Report to the members of the Audit Committee
Audit strategy

July 22, 2020

Gloria Banks, CPA, CA
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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 the Town of Windsor (the "Town") for the year ended March 31, 2020. This communication will assist the 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, 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 March 26, 2019 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 Town.

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 Appendix A.

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 Town
- 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.

COVID-19

The potential financial reporting impacts of the Coronavirus Disease ("COVID-19") pandemic are summarized in the first section of our report. These were a particular focus in our risk assessment for the current year. As a result of considering the impact of COVID-19 related circumstances on the Town, we identified new audit risks in the areas disclosure of subsequent events information.

COVID-19 – Financial reporting impacts

The spread of COVID-19 is severely impacting economies around the globe, causing extensive disruptions to many industries and business operations and a level of economic uncertainty that is unprecedented in our time. In addition to the impact on ongoing operations, these events may affect the Town's financial reporting. While every Town will be impacted differently, the table below summarizes, at a high level, some key COVID-19 related financial reporting considerations that should be considered by Towns and Municipalities.

Matter	Impact	Considerations
Subsequent events	<p>In determining whether the impact of COVID-19 requires adjustments to the Town's Consolidated Financial Statements, management must first determine whether the impact occurred during the fiscal year, or subsequent to year-end. Entities are required to distinguish between subsequent events that are adjusting (provide further evidence of conditions that existed at the balance sheet date) and non-adjusting (indicate conditions that arose after the balance sheet date). Adjusting subsequent events are reflected in the recognition and measurement of amounts reported in the financial statements, while the impact of non-adjusting subsequent events may be required to be disclosed in the notes to the financial statements. Significant subsequent events that may require adjustment or disclosure include items such as: supply chain disruptions, waivers or modifications of contractual terms in lending arrangements or other contractual arrangements, announcing or commencing the implementation of a major restructuring or downsizing, and/or declines in fair values of investments after the reporting period.</p>	<p>Management should determine whether COVID-19 represents an adjusting or non-adjusting subsequent event, bearing in mind that the virus only became widespread in January 2020 and the magnitude of its impact increased from there. Where COVID-19 is determined to be a material non-adjusting subsequent event, management should determine the appropriate disclosures for the Consolidated Financial Statements, including the nature and estimated financial effect of each specific impact identified.</p>
Other items	<p>The accounting impacts of COVID-19 are expected to be wide-ranging. For example:</p> <ul style="list-style-type: none"> • Employee future benefit costs and accruals could be affected by the Town's responses to COVID-19, due to the Town providing additional compensation to assist employees who are sick or who are working remotely, incurring termination costs or other unconventional responses to manage employee costs during the pandemic • The pattern of revenue recognition may be affected (e.g. due to potential deferral of collection of taxes, interest deferral, new discounts and subsidies that are being offered, refunds or credits) • Debt repayments, classification and, in some cases, recognition, may be affected (such as in the case where the Town's debtholder allows the deferral of principal repayments for a period of time) <p>The list above is not exhaustive. The Town's management must consider all of the ways in which COVID-19 is impacting the operations and the related effect on financial reporting.</p>	<p>To the extent that COVID-19 affects the amounts recorded in the financial statements, either due to impacts that occurred during the fiscal period or due to impacts that are considered adjusting subsequent events, management needs to determine the appropriate accounting treatment.</p> <p>If the areas affected are non-adjusting events, appropriate disclosure of the effects will be required.</p>

Matter	Impact	Considerations
Disclosures	<p>In addition to the quantitative impact that COVID-19 may have on the Town's financial statements, management must also consider how the Town's financial statement note disclosures could be impacted. The Town may need to revise existing disclosures in its financial statements and/or add new disclosures (e.g., subsequent events, financial instrument risk, measurement uncertainty, going concern). Transparent and carefully worded disclosures will need to be included in the Consolidated Financial Statements to convey how the Town's financial performance and financial position are impacted by COVID-19, and what new risks and uncertainties exist as a result of the pandemic.</p>	<p>Management should review existing Consolidated Financial Statements disclosures to determine how they may be impacted by COVID-19 and consider what additional disclosures may be necessary.</p>

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, 2020. 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 Town and its environment that were considered in preparing our audit plan.

Matter	Discussion and impact
Town specific change or transaction	At the time of planning, the Town has approved an amalgamation with the Municipality of the District of West Hants to form the new Region of Windsor, as of April 1, 2020. This will result in additional audit procedures and disclosure requirements for the consolidated financial statements at March 31, 2020.
Laws and regulations	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 Town'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. While we have not identified any instances of non-compliance through our planning procedures, we would like to know if you are aware of any instances of non-compliance.
Fraud	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. 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: <ul style="list-style-type: none"><li data-bbox="506 797 1955 841">• 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 and<li data-bbox="506 857 1325 878">• Whether you are aware of any actual, suspected or alleged fraud affecting the Town

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 sales of services and other revenue from own sources.</p>	<ul style="list-style-type: none"> • Perform a 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 accounts, service contracts, or other similar items • Where necessary, the audit team will work with Town staff to identify the applicable supporting documentation required to satisfy the test • As well, revenue will be compared against expected amounts and, where applicable, further verification procedures will be performed on unexpected variances
Fraud risk from management override	<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 the financial reporting process while also able to circumvent controls in order to realise personal gain.</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 operations

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
Sick Pay Accrual	<p>There is uncertainty regarding the balance of the sick pay accrual, as it is an estimate.</p> <p>PS 3255 Post-employment benefits, compensated absences, and termination benefits requires that obligations for employee future benefits be reported and that costs be attributed to the appropriate periods. While ordinarily the valuation of such obligations should be performed by an Actuary, it was deemed by management that the cost of obtaining the valuation exceeded the possible benefits. Management has since developed its own estimated to evaluate this liability.</p>	<ul style="list-style-type: none"> • Obtain an understanding of the employees affected, sick pay policies, and current sick bank balances • Obtain an understanding of management's estimates, factors considered in the development of those estimates and other inputs • Evaluate management's estimate and factors considered, including the reasonability and volatility of various inputs
Defined Benefit Plan Obligation	<p>There is uncertainty regarding the balance of the defined benefit plan obligation.</p> <p>PS 3250 Retirement benefits requires that obligations for defined benefit plans be reported and that costs be attributed to the appropriate periods. While ordinarily the valuation of such obligations should be performed by an Actuary, it was deemed by management that the cost of obtaining the valuation exceeded the possible benefits. Management has since developed its own estimates to evaluate this liability.</p>	<ul style="list-style-type: none"> • Obtain an understanding of the employee affected, retirement policies, and current obligations • Obtain an understanding of management's estimates, factors considered in the development of those estimates and other inputs • Evaluate management's estimate and factors considered, including the reasonability and volatility of various inputs
Amalgamation disclosure	<p>There is a need to ensure sufficient and appropriate disclosure regarding the amalgamation.</p> <p>PS 3430 Restructuring transactions requires a description of the restructuring and an estimate of its financial effect in the notes of the financial statements of the reporting period preceding the restructuring.</p>	<ul style="list-style-type: none"> • Obtain restructuring agreement and management's estimates of the financial effect of the amalgamation • Evaluate management's estimate and factors considered, including the reasonability and volatility of various inputs • Evaluate management's proposed disclosure

Audit and other services fees

Proposed fees

Service	Current year fees	Prior year fees
Annual audit*	\$ 30,000	\$ 28,450

*before administrative costs, disbursements and applicable taxes

Deliverables

Deliverable
Communication of audit strategy
Report on the March 31, 2020 Consolidated Financial Statements
Communication of audit results
Preparation of the 2020 Consolidated Financial statements
Financial information return

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, 2020 that is based on the level of activity and the anticipated complexity of the audit of the Town's Consolidated Financial Statements including procedures in relation to amalgamation. 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:

- Consolidated Financial Statements including the supporting notes
- All working papers and schedules as communicated during planning
- Trial balance together with reconciled control accounts
- All books and records when requested, and
- Use of Town 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 the members of the Audit Committee are as follows:

Stage or deliverable	Timing/Status
Discussions and communications regarding planning	Completed
Planning	Completed
Performance of fieldwork	July/August 2020
Communication of audit results	To be determined

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
Duane Saulnier, CPA, CA Partner P +1 902 690 2020 E Duane.Saulnier@ca.gt.com		As Relationship Partner, Duane will provide oversight to the team from his previous experience with your organization.
Gloria Banks, CPA, CA Principal P +1 902 749 0036 E Gloria.Banks@ca.gt.com		As Lead Audit Services Principal, Gloria will act as the main point of contact; attending meetings and keeping in contact with management throughout the year.
Jessica Clahane, CPA, CA Senior Manager P +1 902 690 2011 E Jessica.Clahane@ca.gt.com		As Senior Manager, Jessica 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 Town in the current year and future years include:

- **Section PS 3400 Revenues**
- **Section PS 3280 Asset Retirement Obligations**
- **Section PS 3450 Financial instruments**
- **Revised Conceptual Framework and Revised Reporting Model**

Further details of the changes to accounting standards, including management's preliminary comments on their applicability to the Town, 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

Auditing standards issued by the Auditing and Assurance Standards Board that may change the nature, timing and extent of our audit procedures on the Town and our communication with the members of the Audit Committee include:

- **Amendments to CAS 701, Communicating Key Audit Matters in the Independent Auditor's Report**
- **Revisions to CAS 540, Auditing Accounting Estimates, including Fair Value Accounting Estimates, and Related Disclosures**
- **Revisions to CAS 315, Identifying and Assessing Risks of Material Misstatement**

Further details of the changes to assurance standards, including management's preliminary comments on their applicability to the Town, 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

- 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

- 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

- 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 Town and its operations drives our audit approach, which is risk based and specifically tailored to Town of Windsor.

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 Town and our beliefs about management's honesty and integrity.

Internal control

Our audit will include gaining an understanding of the Town'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 Town'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 [updated June 30, 2020]	Effective date	Management assessment of applicability
Section PS 3400 Revenues	Fiscal years beginning on or after April 1, 2023.	Earlier adoption is permitted.
<p>New Section PS 3400 <i>Revenue</i> 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:</p> <ul style="list-style-type: none">• 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		
Section PS 3280 Asset retirement obligations	Fiscal years beginning on or after April 1, 2022.	Earlier adoption is permitted.
<p>New Section PS 3280 <i>Asset Retirement Obligations</i> 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.</p> <p>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.</p> <p>As a result of the issuance of Section PS 3280, the Public Sector Accounting Board (PSAB) approved the withdrawal of Section PS 3270 <i>Solid waste landfill closure and post-closure liability</i> 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 <i>Liability for contaminated sites</i>. Some consequential amendments have been made to PS 3260 to conform with PS 3280 and further clarify the scope of each standard.</p>		

Public Sector Accounting Standards [updated June 30, 2020]	Effective date	Management assessment of applicability
<p>Section PS 3450 <i>Financial instruments</i>, Section PS 2601 <i>Foreign currency translation</i>, Section PS 1201 <i>Financial statement presentation</i>, and PS 3041 <i>Portfolio investments</i></p>	<p>The new requirements are all required to be applied at the same time.</p>	
<p>PS 3450 <i>Financial instruments</i> 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:</p>	<p>For governments - Fiscal years beginning on or after April 1, 2022.</p>	
<ul style="list-style-type: none"> • 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 	<p>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.</p>	
<p>PS 2601 <i>Foreign currency translation</i> revises and replaces Section PS 2600 <i>Foreign currency translation</i>. Some highlights of the requirements include:</p>	<p>For all other government organizations - Fiscal years beginning on or after April 1, 2022.</p>	
<ul style="list-style-type: none"> • 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 	<p>Earlier adoption is permitted.</p>	
<p>PS 1201 <i>Financial statement presentation</i> revises and replaces Section PS 1200 <i>Financial statement presentation</i>. The main amendment to this Section is the addition of the statement of remeasurement gains and losses.</p>		
<p>PS 3041 <i>Portfolio investments</i> revises and replaces Section PS 3040 <i>Portfolio investments</i>.</p>		
<p>The issuance of these new sections also includes consequential amendments to:</p>		
<ul style="list-style-type: none"> • <i>Introduction to accounting standards that apply only to government not-for-profit organizations</i> • PS 1000 <i>Financial statement concepts</i> • PS 1100 <i>Financial statement objectives</i> • PS 2125 <i>First-time adoption by government organizations</i> • PS 2500 <i>Basic principles of consolidation</i> • PS 2510 <i>Additional areas of consolidation</i> • PS 3050 <i>Loans receivable</i> • PS 3060 <i>Government partnerships</i> • PS 3070 <i>Investments in government business enterprises</i> • PS 3230 <i>Long-term debt</i> • PS 3310 <i>Loan guarantees</i> 		

- 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 the Section's application and add new guidance to the transitional provisions of Section PS 3450.

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.
-

International strategy

The PSAB has reviewed its current approach towards International Public Sector Accounting Standards (IPSAS) with the intent of developing options for its International Strategy. In May 2019, it issued a second Consultation Paper [Reviewing PSAB's Approach to International Public Sector Accounting Standards](#) that considered 4 options. At its May 2020 meeting, following deliberation of stakeholder feedback to the Consultation Paper, PSAB decided on the option that will adapt IPSAS principles when developing future Canadian Public Sector Accounting Standards for the Public Sector Accounting Handbook. In tandem with that decision, PSAB issued a brief document summarizing its decision and what it means, entitled: [In Brief – A plain and simple overview of PSAB's 2020 decision to adapt IPSAS principles when developing future standards](#). This decision will apply to all projects beginning on or after April 1, 2021.

Concepts underlying financial performance

In response to feedback from stakeholders, the PSAB is proposing changes to its conceptual framework and its reporting model with a focus on measuring the financial performance of public sector entities. The changes will be made through the following actions:

1. Issuing a revised conceptual framework to replace two Sections in the PSA Handbook:
 - PS 1000 *Financial statement concepts*
 - PS 1100 *Financial statement objectives*
2. Issuing a revised financial statement presentation standard that would replace Section PS 1201 *Financial statement presentation*.

In May 2018, PSAB released two documents for comment related to this project:

Statement of Concepts, A Revised Conceptual Framework for the Canadian Public Sector

A conceptual framework is a clear set of related concepts that act as the foundation for the development of standards and the application of professional judgment. The Statement of Concepts presented and explained key concepts that the PSAB expects to include in a future exposure draft. The components of the PSAB's proposed conceptual framework were as follows:

- characteristics of public sector entities
- financial reporting objectives
- role of financial statements
- financial statement foundations
- financial statement objectives
- qualitative characteristics of information and related considerations
- elements of financial statements
- recognition and measurement
- presentation concepts

The Statement of Concepts also set the foundation for the revised reporting model in the PSAB's concurrently issued Statement of Principles below.

Statement of Principles, A Revised Reporting Model for the Canadian Public Sector

The PSAB is proposing a revised reporting model that builds on the existing reporting model in Section PS 1201 *Financial statement presentation*. The Statement of Principles presented and explained key principles that the PSAB expects to include in a future exposure draft. Some of the main features of the proposals in the Statement of Principles included:

- In the statement of financial position:
 - The net debt indicator would be removed and instead a revised net debt calculation would be moved to its own statement: the statement of net debt or net financial assets
 - The accumulated surplus (deficit) indicator would be relabelled as net assets (net liabilities)
 - A new third component, accumulated other, would be added to net assets or net liabilities (existing Section PS 1201 includes two components of accumulated surplus: accumulated operating surplus or deficit and accumulated remeasurement gains and losses)
 - The structure would be amended to present financial assets, then non-financial assets, followed by liabilities, to arrive at the net assets or net liabilities position
- The statement of operations would be renamed as the statement of surplus or deficit;
- The statement of remeasurement gains and losses would be expanded to reconcile the balances of and changes in all the components of net assets or net liabilities and it would be renamed as the statement of changes in net assets or net liabilities;
- Financing activities would be isolated in the statement of cash flows;
- The statement of changes in net debt would be removed; and
- The budget amounts on the financial statements would be presented using the same basis of accounting, following the same accounting principles, for the same scope of activities, and using the same classifications as the actual amounts.

In March 2019, the PSAB received a high-level summary of the comments received from stakeholders on the Statement of Concepts and the Statement of Principles. As it deliberates the feedback, PSAB is developing two exposure drafts (one for a revised conceptual framework and one for a revised reporting model), which it expects to issue in 2020.

Appendix C – Auditing developments

Canadian Auditing Standards (CASs) and other Canadian Standards issued by the AASB	Effective date
<p>Amendments to CAS 701, <i>Communicating Key Audit Matters in the Independent Auditor's Report</i></p> <p>New reporting standards were required to be applied for audits of entities with periods ending on or after December 15, 2018. One of the updated standards, CAS 701, dealt with the requirements when the auditor would be communicating matters judged to be most significant to the audit in the audit report, either because the auditor had chosen to do so or because law or regulation required key audit matters to be described in the auditor's report.</p> <p>In late 2019, the AASB finalized further amendments to the auditor reporting standards such that auditors would be required to communicate key audit matters in the auditor's report for complete sets of general purpose financial statements of entities listed on the Toronto Stock Exchange (TSX) and other listed entities, excluding entities required to comply with National Instrument 81-106 <i>Investment Fund Continuous Disclosure</i> ("NI 81-106").</p>	<p>The communication of key audit matters in the auditor's report is required for audits of entities listed on the TSX, other than entities required to comply with NI 81-106, for periods ending on or after December 15, 2020 and for other listed entities, other than entities required to comply with NI 81-106, for periods ending on or after December 15, 2022.</p>
<p>Revisions to CAS 540 <i>Auditing Accounting Estimates, including Fair Value Accounting Estimates, and Related Disclosures</i></p> <p>In June 2018, the IAASB approved a revised version of ISA 540 <i>Auditing Accounting Estimates and Related Disclosures</i>. In revising the standard, the IAASB focused on improving the scalability of the ISA to very simple accounting estimates, as well as the most complex accounting estimates. The standard was also revised to clarify the relationship between ISA 540 (revised) and the other ISAs and the requirements when using the work of management's expert as audit evidence in testing how management made the accounting estimate. The AASB concluded that the changes to the ISA would be adopted as CASs, with no special amendments being necessary with respect to the Canadian auditing environment.</p>	<p>The revised standard is effective for audits of financial statements with periods beginning on or after December 15, 2019.</p>
<p>CSAE 3530 - <i>Special Considerations - Attestation Engagements to Report on Compliance</i> and CSAE 3531 - <i>Special Considerations - Direct Engagements to Report on Compliance</i></p> <p>These standards set out specific requirements and application material applicable when applying CSAE 3000 or CSAE 3001 (discussed above), as appropriate, to engagements to report on compliance.</p> <p>CSAE 3530 and CSAE 3531 will replace the following sections:</p> <ul style="list-style-type: none">• Section 5800 - <i>Special Reports - Introduction</i>• Section 5815 - <i>Auditor's Reports on Compliance with Agreements, Statutes and Regulations</i>• Section 8600 - <i>Reviews of Compliance with Agreements and Regulations</i>• Paragraphs PS 5300.11-13 of <i>Auditing for Compliance with Legislative and Related Authorities in the Public Sector</i> <p>The public interest considerations behind this project are to improve consistency in how practitioners perform these types of engagements and to require more transparency and clarity in reporting.</p>	<p>CSAE 3530 and CSAE 3531 are effective for compliance reports dated on or after April 1, 2019, with early adoption permitted.</p>

Canadian Auditing Standards (CASs) and other Canadian Standards issued by the AASB

Effective date**Section 7170 Auditor's Consent to the Use of the Auditor's Report in Connection with a Designated Document**

The AASB amended Section 7170 to include certain materials from Section 7500. Section 7500 has been withdrawn. The change to the structure of the Handbook makes it clear what standard the auditor must use when providing consent. The revised Section 7170 is used when the auditor is requested to provide consent in connection with audited financial statements or a document containing audited financial statements being filed with securities regulatory authorities (unless the document is addressed by Section 7150). Such items may be included to assist officers and directors of the entity (or acquirer of a business in the case of consent in connection with a Business Acquisition Report) in conducting a reasonable investigation for purposes of a due diligence defence or similar.

The revised standard is applicable for consents issued on or after June 1, 2019.

Canadian Auditing Standards (CASs) and other Canadian Standards approved by the AASB but not issued

Effective date**Revisions to CAS 315 Identifying and Assessing Risks of Material Misstatement**

In July 2018, the 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 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 approved and is expected to be issued in the May 2020 CPA Canada handbook update. Key amendments to the standard include the following:

- 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.

WEST HANTS REGIONAL MUNICIPALITY
AUDIT COMMITTEE TERMS OF REFERENCE

1. Official Name

The official name of this Committee will be the Audit Committee.

2. Members / Composition

The Committee consists of five members.

- The Mayor
- Two (2) Municipal Councillors
- Two (2) Members of the Public

Council will annually appoint an Audit Committee. Each member appointed by Council serves the Committee for a one (1) year term. Members are eligible for reappointment and may serve up to two (2) terms.

The CAO and/or Director of Finance will provide staff support to the Committee. They are not voting members of the Committee.

The Committee chair will act as the liaison in providing recommendations and reports to Council.

The selection process of the members of the public is determined through an evaluation process and a recommendation to Council. The two members at large will rotate off in opposite years to maintain continuity. In the first year, one of the members at large will sit for a one-year term and will not be eligible for reappointment in the following year.

All positions will be reviewed through the evaluation process when the designated term is over, whether an existing member has re-offered or not.

Committee members who fail to attend two (2) consecutive meetings without a reason accepted by the Committee Chair may be recommended to Council to be dismissed from the Committee. Committee members may be dismissed by Council on recommendation by the Audit Committee if they fail to fulfill the identified responsibilities and/or mandate of the Committee.

Each member of the Committee is expected to exercise care and diligence when dealing with the affairs of the West Hants Regional Municipality

3. Goals

The primary function of the Audit Committee is to assist Council in fulfilling its oversight responsibilities outlined in the Municipal Government Act, related to the quality and integrity of financial reporting.

The Audit Committee assures fair presentation of the financial position, and results of transactions and protection of assets.

WEST HANTS REGIONAL MUNICIPALITY
AUDIT COMMITTEE TERMS OF REFERENCE

4. Deliverables

4.1 Financial Reporting

- 4.1.1 Review with the external auditor the annual financial statements of the Municipality and the West Hants Regional Municipal Water Utilities.
- 4.1.2 Review the external auditor report and discuss the financial statements with management and the external auditor.
- 4.1.3 Review the auditor management letter (where applicable) and management's responses thereto, as well as the status of any significant issues reported previously.
- 4.1.4 Recommend the annual financial statements to Council for approval.
- 4.1.5 Review with management the quarterly financial updates to be presented to Council.

4.2 Financial and Accounting Policies

The Chief Administrative Officer and Council is responsible for setting financial and accounting policies. The Committee will review financial and accounting policies and recommend changes to the Chief Administrative Officer or Council, if required.

4.3 Risk and Uncertainty

Review with management, on an annual basis, risk management practices including insurance coverage and internal control systems to ensure adequacy.

4.4 Control Deviations

Consider any matters relating to internal controls and reports from management or other to significant control deviations or indications of fraud and the corrective action undertaken with regards to the matter.

4.5 Relationship with External Auditors

Recommend the appointment of the Municipality's auditor.

Review and approve the overall scope and approach of the auditor's annual audit plan. The Director of Financial Services has authority to make minor changes to the audit scope where necessary. Substantive

WEST HANTS REGIONAL MUNICIPALITY*AUDIT COMMITTEE TERMS OF REFERENCE*

changes that impact the scope and cost of the audit will be subject to a staff report recommended to Council with estimated costs and resource

impacts or will be managed within the existing policies of Council related to budget management and expenditures.

The Mayor will sign the Engagement and Representation letters on behalf of the Municipality. The Mayor and Chief Administrative Officer will sign the Financial Statements of the Municipality.

Review the auditor's performance, at least annually, including a review of all relationships and engagements between the auditor and the Municipality for non-audit services that may reasonably be thought to reflect on the independence of the auditor.

4.6 Committee Self Assessment and Accountability

The Committee will annually review, discuss and assess the performance of the Committee and its membership, and will periodically review and consider the need for recommending amendments to these Terms of Reference.

5. Jurisdiction

To pursue such matters arising out of the audit as may appear to the Audit Committee to require investigation, as outlined in Section 44 of the Municipal Government Act (MGA).

6. Resources / Budget

- 6.1 The Council Remuneration Policy will be followed regarding any stipend for the two members at large.
- 6.2 The Human Resources Policy and Expense Policy will be followed in regarding Staff time and expenses within the Financial Services Department of the Municipality.
- 6.3 All budgetary considerations for the Committee will be approved as part of the annual budget approved by Council.
- 6.4 Staff within the Financial Services Department of the Municipality are available as support to the Committee as required.

7. Governance

Meetings

WEST HANTS REGIONAL MUNICIPALITY*AUDIT COMMITTEE TERMS OF REFERENCE*

- 7.1 Meetings may be convened at the request of any member of the Committee, at the request of the Municipal appointed external auditor, or at the request of the Chief Administrative Officer or management. The Committee will meet no less than four (4) times each year. The required minimum of four meetings will occur:
- 7.1.1 after appointment of Committee members, for management to present all financial policies used in the preparations of financial statements to the Committee, appoint a Chair, review quarterly financial presentations
 - 7.1.2 prior to the year-end audit, to review and approve the audit scope, and review the quarterly financial presentations
 - 7.1.3 after the audit is complete, to review the draft financial statement, audit findings, and the auditors' performance for the current audit, and review quarterly financial presentations
 - 7.1.4 after approval of audited financial statement, to review process, internal controls, and quarterly financial presentations, and perform Committee Self-Assessment

The Committee will meet with the external auditor at least twice a year, at meetings (2) and (3). The external auditor will receive notice of all meetings to appear at and may be required to attend additional meetings at the Committee's request.

All meetings are open to the public as per the Municipal Government Act.

7.2 In-Camera Meetings

The Committee may hold in-camera meetings as allowed under Section 22 (2) of the Municipal Government Act, for issues related to the Committee.

No decisions will be made at in-camera meetings except a decision concerning procedural matters or to give direction to the Chair or staff.

A record which is open to the public will be made noting the fact that the Committee met in-camera, the type of matter that was discussed, the date, but no other information.

Any Committee or staff member who discloses information matters discussed at an in-camera meeting may be liable for damages to the Municipality.

7.3 Quorum and Decision-Making

WEST HANTS REGIONAL MUNICIPALITY
AUDIT COMMITTEE TERMS OF REFERENCE

A quorum consists of three (3) voting members of the Committee, one (1) of which must be a Councillor and one (1) must be a Member of the Public. Each Committee member is entitled to one vote and decisions will be by majority vote of those present. In the absence of the Chair of the Committee, the members will appoint one of the members of Council to act as Chair of the meeting.

In the event of a tie vote, the motion is defeated

7.2 Reporting

The Committee will report to Council.

8. Communications

The Committee members will maintain direct, open and frank communications with each other, management, Council, the external auditor and other advisors as appropriate, during meetings. Communications may be done outside of meetings with each other, management, Council, or as assigned, in person at meetings by phone or in writing which includes email. Notice of meetings will be communication through email.

9. Related Policies, Procedures and Legislation

- RCOGE-003.00 Meeting and Committee Procedural Policy
- RCOHR-002.00 Code of Conduct For Elected Municipal Officials Policy
- RCOHR-001.00 Council Remuneration Policy
- RCOFN-006.00 Expense Policy

Approved by: _____
 Committee Chair

<i>Adoption</i>	
<i>Notice to Council:</i>	
<i>Approval:</i>	
<i>Description:</i> Initial approval of the Audit Committee Terms of Reference, identified as RADFN-002.04.	