



West Hants
something inspiring awaits

**WEST HANTS REGIONAL MUNICIPALITY
Audit Committee – Meeting Agenda – **AMENDED, July 16, 2024**
July 17, 2024, 6:00 p.m.
Council Chambers, 76 Morison Drive, via Zoom & Facebook Livestreamed**

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 11, 2024 Minutes, including additions or deletions
6. Presentation
 - (a.) Policy and Internal Controls – Diana Gibson, Manager of Accounting and Financial Reporting
7. New Business
 - a.) Financial Update to March 31, 2024 – Director Rochon – **Reports (2) now included**
 - b.) FCI Report – Director Rochon
8. Director’s Update – Director Rochon
9. Date of Next Meeting – September 18, 2024
10. Adjournment



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**WEST HANTS REGIONAL MUNICIPALITY
Audit Committee Meeting Minutes
July 17, 2024, 6:00 p.m.
Council Chambers, 76 Morison Drive, via Zoom & Facebook Livestreamed**

Present :

Abraham Zebian	Mayor / Committee Chair
Jeff Hartt	Councillor, District 4
Laurie Murley	Councillor, District 10
Kathryn Duffy	Resident Member
Meagan Halverson	Resident Member
Carlee Rochon	Director of Financial Services
Mark Phillips	Chief Administrative Officer (CAO)
Carmen Dewar-Miller	Admin Assistant, Financial Services
Diana Gibson	Manager of Accounting and Financial Reporting

1. Call to Order – Mayor Zebian called the meeting to order at 6:00 p.m.
2. Declaration(s) of Conflict of Interest – there were no conflicts
3. Announcements – Mayor Zebian acknowledged that the West Hants Regional Municipality is in Mi'kma'ki, the ancestral and unceded territory of the Mi'kmaq People. These lands are governed by the Treaties of Peace and Friendship, signed in 1726.
4. Approval of Agenda, including additions or deletions
Prior to approval a question was raised regarding adding a public participation opportunity to the agenda/meeting format.

This addition needs to be addressed through a revision to the Audit Committee Terms of Reference. A recommendation report to this point (as related to all committee Terms of Reference), is going before Council next week. A revision may occur in advance of the next Audit Committee meeting.

Moved by Councillor Murley and Resident Member Halverson that the agenda be approved.

Motion Carried.

5. Approval of March 11, 2024 Minutes, including additions or deletions
Prior to being approved, committee members had the following questions arising from these minutes, answered by Director Rochon as follows:

- **Was there follow-up with the bank regarding the unsigned cashed cheques and any confirmation that a more thorough process would be followed?**
 - Our RBC account manager was made aware of the issue. This would be addressed internally by RBC. They cannot guarantee that unsigned cheques will not get through. Internally, we can check anything that clears from the account including bank-generated images of cleared cheques. We are initiating a new process of having the cheque register beside the cheque batch to ensure that nothing gets through unsigned.
- **Regarding Total Expenditures, the threshold for concern is \$430,000. Is this in total, or per instance?**
 - This would be the threshold for the entire audit, taking into account both the qualitative and quantitative factors of materiality. This amount will change annually based on auditor analysis.
- **Who authorized the one-time balloon payment (Windsor Water Utility 2022-23 deficit)?**
 - This was presented to and passed by Council as part of the budget. Over and above the balloon payment, there were reported expenditures to cover an equipment failure and equipment rentals and also the bulk water meter credit, which reduced the revenue.
- **Director Rochon was asked to give a refresher on the credit from bulk water sales to Three Mile Plains from the Windsor Water Utility.**
 - She did not have the detailed reports that went to Council on hand but explained that they had noticed in the budgeting process that the account was high and had already initiated some investigation of the meter through the water utility. It was determined that it was multiplying at a different factor - a reading issue. An analysis was done and a credit issued, based on what was billed and what should have been billed.
- **Auditor Forse had two questions for the Audit committee to answer. Is that something that each individual member should respond back to him directly in writing?**
 - Yes. As part of the Financial Director's update later in the meeting, Director Rochon will advise that she followed up with the auditor, reminding him that he needed to send us something to forward to committee members. She will get clarity from Auditor Forse on how those questions should be addressed by committee members.
- **There is still a lack of clarity on the leakages from the Three Mile Plains Water Utility - 100 million gallons of water purchased from Windsor, 60% leaked in Three Mile Plains. More information would be appreciated as the numbers are very high.**



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- **We mitigated the extra RCMP costs through reserves. Was that an item that was dealt with at budget or was that brought to Council for approval?**
 - This is the item that's been brought through financial reports to Council every month since last October. The \$236,000 was a transfer from the RCMP. As explained, this would be dealt with through surplus received in the year from the RCMP before the deposit went into the RCMP account.

**Moved by Councillor Murley and Resident Member Duffy that the March 11, 2024 minutes be approved.
Motion Carried.**

6. Presentation

- (a.) Policy and Internal Controls – Diana Gibson, Manager of Accounting and Financial Reporting

As part of committee training, Manager Gibson presented a review on WHRM's Financial Policies, which impact municipal decisions and procedures, revenues and expenses and ultimately, the financial statements.

The policies have been broken into three categories for this presentation, the first being "Policies Impacting Decisions and Procedures". This category includes the Expense Policy, Hospitality Policy, Investment Policy, Procurement Policy, and Reserve Policy. Manager Gibson then reviewed each these policies in greater detail. (Reference PowerPoint documents from the agenda package.)

As related to the Expense Policy, there was a question about individual councillor expenses. Expenses can be attributed to councillors without them submitting a reimbursement request for items such as training, iPad and cell phone, if paid for by the municipality. These expenses need to be reported quarterly per provincial requirements.

Policies are audited annually through the audit process.

Regarding the procurement policy it was confirmed that the limits on purchasing authority apply to a single purchase.

Regarding the controls and audit oversights in place to deter or catch purchasing a larger item incrementally, just below the authorized level, the municipality has an electronic PO system set up so that any purchase over \$1000 must have approval before it happens. A manager or supervisor has to sign off on approval.

Regarding an audit or check in place to deter a systemic “slice and dice” method of getting around the procurement policy, Manager Gibson advised that for larger capital purchases, she oversees the procurement and ensures policy is being followed. All purchase orders for capital projects come to her as a secondary check before they go to the CAO. Per Director Rochon, they also do quarterly reviews on those capital accounts.

Regarding the Reserve Policy and with increasingly impactful events due to climate change (flooding, fires), the thresholds for reserves are at healthy levels and meeting current needs. Per Director Rochon, there are provincially mandated thresholds (FRAM reporting requirements). Budgeting for “what if” events is risky. It means taking more from the taxpayers than required - a delicate balance. We have insurance in place to help with damages. If the totality of the event reaches a certain provincial threshold level, there is additional funding available for the municipality to access. We are appropriately funded and rely on the province for feedback as to whether we are meeting indicators, which we are.

The second category of policies surrounds “Policies Impacting Revenue”. These include the Accounts Receivable Policy (recently created), Acceptance of Donations Policy, Fees Policy, Utility Assistance Rebate Policy (recently created), Residential Property Tax Assistance Policy, Tax Collection Policy, Tax Exemption Policy Area Rate Policy, Disposal of Surplus Real Property and Disposal of Surplus Goods and Material Policy.

Manager Gibson reviewed each of these policies. (Reference PowerPoint documents from the agenda package.)

Regarding the Utility Assistance Rebate policy, it was mentioned that Halifax Water has a similar Utility Assistance Rebate, but it is administered by the Salvation Army. The WHRM policy is administered by staff.

The third and final category of policies involves “Policies Impacting Expenses” and includes the Acquisition of Real Property Policy, Council Remuneration Policy, Grants and Contributions Policy, Property Assessed Clean Energy (PACE) Policy and the Regional High School Bursary Policy.



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Manager Gibson reviewed these policies. (Reference PowerPoint documents from the agenda package.)

There was discussion surrounding the PACE Policy. The PACE loan is noted on the borrower's tax account. Receipt of payment is handled by PACE and if two payments are missed, the municipality is notified. The amount owing is added to the tax bill. In extreme cases payment could be recovered through a tax sale. The municipality would only contact mortgage holders when going through a tax sale process. They can then enact their interest process. We do ensure the borrower is in good standing with their municipal tax and water accounts.

There is actually no connection to a borrower's tax account until they fall behind. The municipality had lawyers review the PACE contracts prior to signing with the program. Director Rochon noted that we are also offered some protections under the MGA. Manager Gibson did not know what would happen with PACE participants who default on their mortgage. She will reach out to Coordinator Ogilvie for clarification.

The PACE loan would affect a resident's overall debt servicing. The application process is intensive. Loans are tied to the property and not the property owners. If a PACE program participant were to sell their house, we would reach out to PACE for the outstanding balance to add to the tax account and be covered. The seller will have to repay the loan as part of the sale. Per PACE, loan defaults are very infrequent.

Regarding policy review requirements, some of our municipal policies may have to go through legal. Some may have to go through the province (Department of Housing and Municipal Affairs). Policies would also be reviewed by Director Rochon and Manager Gibson.

Manager Gibson continued with the Financial Process Presentation. (Reference PowerPoint documents from the agenda package.)

She began with a review of the organizational chart for Financial Services and the cash control process followed when a payment is made to the municipality including at several offsite payment locations (pool, sports complex, community center).

A review of banking followed. Anything over \$100,000 requires two signatures, for changes or transfers. Anything over our daily transaction limit is reviewed by the bank and the bank manager may call to review. Manager Gibson then reviewed the procurement process.

The signing authority list (hard copy and digital) is maintained by Manager Gibson and does get updated throughout the year depending on new staff or a change in signing requirements.

Regarding the public procurement process, Manager Gibson advised that typically we go with the lowest one-envelope bid, however it is ultimately up to Council to decide. In this process, there is more safety in two-envelope bids. This applies to both goods and services.

For procurement less than the public tender amount of \$25,000, a record would be kept on file.

Change orders for a large project involve our engineering staff, then Manager Gibson, then the CAO. Each change order gets a new purchase order and has its own process.

There was ensuing discussion regarding how staff could potentially work around the requirement to go out to public procurement. To date, there has been no instance of this and there has been no process established to review or look for patterns of omission. Significant project changes would come to Council for review and approval.

For Director Rochon, there are checks and balances along the way. Questions are asked throughout the process from initiation to payment, followed by an account analysis. If items have to go to Council, a report goes to both Manager Gibson and Director Rochon.

The municipality does have a whistleblower policy. For situations surrounding finance, if an employee with concerns was not getting the response they were looking for, it would come back to the Audit Committee as an in-camera matter. Our Auditor would most likely be brought in as well.



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Manager Gibson then reviewed the accounting process for invoice payment. She also does a daily check of the bank account to ensure all looks to be in order.

Director Rochon added that within the payment approval portion there are various stages of approval and levels of review. This includes reviewing the signatures themselves for authenticity and cross referencing to ensure payments are within budget (capital projects).

A common area with control deficiency can be who is authorized to set up vendors. Who does this for WHRM?

Per Manager Gibson, she, Director Rochon, the Manager of Revenue Services and the Accounts Payable (AP) Coordinator all have access to set up vendors but it is typically done by the AP Coordinator. In their absence, Manager Gibson would do it. Vendor set-ups are requested electronically.

Fraud can occur at the AP level. Director Rochon cited a past incident at a municipality in Saskatchewan where a vendor request was processed to change banking information. Months later they received an email from the vendor wondering why they weren't getting paid.

We have a process to verify those change requests. We don't verify just by the vendor information submitted online. We look at their company information, their online presence/website, and we require a cheque or deposit form.

7. New Business

a.) Financial Update to March 31, 2024 – Director Rochon

Director Rochon provided the update up to the municipality's 12th month but numbers may fluctuate as they go through the audit process, based on review and evidence gathering.

Revenue and Expense highlights were reviewed and clarification was provided regarding the Host Community Fees line of the financial report.

Regarding the Equalization Grants on page two that appear under-budgeted, Director Rochon explained that this is now called the Municipal Capacity Budgeting Grant. We had budgeted for double, but it was not doubled this year. This line was purposely highlighted in red due to an accrual (one of the acct. numbers that is going to change).

Regarding the formula used for Equalization Grants, this has recently changed as part of the Memorandum of Understanding (MOU). If the committee wishes, Director Rochon can bring it forward at the next meeting.

Education is determined by the uniform assessment. The number is projecting higher as it was part of the error in the budget.

The Miscellaneous category would include our tax certificates and other fees (building inspections, permits, etc.). It was impacted by the budgeting error.

Expenditure highlights were reviewed. There was a question regarding repairs to the ice resurfer at the Sports Complex. If these repairs fell within budget, there would be no need to get Council approval.

The West Hants and Windsor administrative cost for sewer can be attributed in part to depreciation and administrative fees not included in budget.

b.) FCI Report – Director Rochon

Director Rochon presented the 2021-22 Financial Condition Index report, created by Municipal Affairs and Housing. It is based on the financial indicator reporting that we submit to the province, based on our audited financial statements.

West Hants is “green”, meaning low risk. There is one grey indicator as we do not have enough historical data to be graded on it.

There is one yellow for uncollected taxes, carried through from the former District of West Hants. We have been making strides towards improvement. The percentage has come down significantly.

The 10% refers to the ratio that is calculated by cumulative taxes as a whole divided by the tax bills in the current fiscal year. Outstanding receivables divided by tax revenue.



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Residential Tax Effort ratio speaks to median household income and the affordability portion. It assesses the affordability of the municipality's taxes. We are at 2.4% (green). We are incredibly competitive for an all inclusive tax rate.

8. Director's Update – Director Rochon

Director Rochon advised that she is anticipating a draft of the financial statements to be ready in early September in hopes to present to the Audit Committee by September 18. We would hope to have the committee's recommendation for the Council meeting on September 24. Once approved, the statements can be presented to the Province.

Director Rochon provided a brief update on the water audit. This financial and operational audit will go out to public tender, if possible by the end of August, with a closing date in early October. Submissions will be reviewed by the Audit committee and the tender awarded by Council prior to the election. The cost and timeline for the audit will depend on how much operational evidence auditors will need to dig into. The audit will be funded through the water utility with a probable contingency request to Council. This unbudgeted item will not impact the overall tax rate but will require the approval of Council.

As part of the UARB hearing, there were questions and undertakings to be responded to. One question (Undertaking Three in the Board Matter) involved creating a timeline leading up to the TMP water credit. Director Rochon and the Utility Clerk did this, going a little bit further back to reflect the consistency of how the reads were happening and the associated billing. They included the start and end reads as well as the total consumption and bill.

Director Rochon then reviewed the timeline, from April 2019 to April 2022, for the committee. Contributing factors included read malfunctions in September, 2020 and January, 2021, installation of a new meter in February, 2021, and reoccurring factoring errors which resulted in overbillings and the subsequent credit. She can bring forward more information and hopefully provide the UARB hearing decision at the next meeting.

Director Rochon is expecting a delay with the next FCI. It is running a couple of months late. Typically, in the past they have always been populated early in the year.

9. Date of Next Meeting – Tentative September 18, 2024
10. Adjournment
Moved by Councillor Hartt and Resident Member Halverson that the meeting be adjourned.
Motion Carried.

The meeting was adjourned at 8:17 p.m.

X

Committee Chair