

Cape Breton Regional Municipality

Audit Committee Meeting Minutes

June 4, 2025

1:01 p.m. at City Hall Council Chambers

Committee

Deputy Mayor Eldon MacDonald, Chair

Councillor Earlene MacMullin

Councillor Glenn Paruch

Councillor Steve Parsons

Councillor Sheppard-Campbell

Citizen Mark Galley

Citizen Sue Forrester

Staff

Mayor Cecil P. Clarke

Demetri Kachafanas, KC, Interim Chief Administrative Officer

Christa Dicks, Municipal Clerk

Jennifer Campbell, Chief Financial Officer

Dave MacKeigan, District Nine Councillor

Sean Tobin, Chief of Staff

Spencer Merrill, Information Technology Technician

Kelly McDonald, Recording Secretary

The following does not represent a word for word record of the proceedings of this meeting. The agenda, reports, supporting documents, information items circulated, and video (if available) are online at www.cbrm.ns.ca.

Deputy Mayor Eldon MacDonald called the meeting to order.

Roll Call

Deputy Mayor MacDonald informed that the title for item number three on the agenda should be corrected to 2025 Audit Service Plan Report to the Audit Committee for Year Ended March 31, 2025.

1. Approval of Agenda

Motion

Moved by Councillor MacMullin, seconded by Councillor Parsons, to approve the June 4, 2025, audit committee agenda as presented.

Motion Carried

2. Approval of Minutes

Motion

Moved by Councillor Paruch, seconded by Councillor MacMullin, to approve the CBRM minutes from:

- Audit Committee Minutes – March 5, 2025

Motion Carried

3. 2025 Audit Service Plan Report to the Audit Committee for Year Ended March 31, 2025

Darren Chiasson, CPA, CA – MNP Partner / Business Advisor, reviewed the audit service plan report to outline the work to be done over the next few months to provide the final audit findings report during the September 2025 CBRM audit committee meeting. Auditor Chiasson reviewed the audit service plan overview, audit materiality, auditor's approach to internal control, key changes and developments, risk assessment, the audit team, timing of the audit, and fees and assumptions.

A copy of the 2025 audit service plan report presented to the CBRM audit committee for year ended March 31, 2025, is attached to this set of meeting minutes for reference on page four.

Meeting adjourned at 1:18 p.m.

Deputy Mayor Eldon MacDonald
Chair

Christa Dicks
Municipal Clerk
/km

Cape Breton Regional Municipality

2025 Audit Service Plan

Report to the Audit Committee

March 31, 2025

Darren Chiasson, CPA, CA
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Audit Service Plan Overview

We are pleased to present our Audit Service Plan for Cape Breton Regional Municipality and its subsidiaries (the "Municipality") which outlines the strategy we will follow to provide the Municipality's Audit Committee with our Independent Auditor's Report on the March 31, 2025 consolidated financial statements. We are providing this Audit Service Plan to the Audit Committee on a confidential basis. It is intended solely for the use of the Audit Committee and is not intended for any other purpose. Accordingly, we disclaim any responsibility to any other party who may rely on this report.

We confirm to the Audit Committee that we are independent of the Municipality. Our letter to the Audit Committee discussing our independence will be included at the conclusion of the audit.

Topics for Discussion

We are committed to providing superior client service by maintaining effective two-way communication. Topics for discussion include, but are not limited to:

- Changes to your business operations and developments in the financial reporting and regulatory environment
- Business plans and strategies
- Any other issues and/or concerns
- Fraud, including how fraud could occur, the risk of fraud and misstatement, and any actual, suspected or alleged fraud
- The management oversight process
- Your specific needs and expectations

The MNP Audit Approach

Audit Materiality

The scope of our audit work is tailored to reflect the relative size of operations of the Municipality and our assessment of the potential for material misstatements in the Municipality's consolidated financial statements as a whole (and, if applicable, for particular classes of transactions, account balances or disclosures). In determining the scope, we emphasize relative audit risk and materiality, and consider a number of factors, including:

- The size, complexity, and growth of the Municipality;
- Changes within the organization, management or accounting systems; and
- Concerns expressed by management.


We propose to use \$8,990,000 as overall materiality for audit planning purposes.

Auditor’s Approach to Internal Control

For the March 31, 2025 audit, we are planning to place low reliance on the Municipality’s accounting system. This level of reliance is consistent with the prior year end, and will involve mainly substantive tests of details.

Key Changes and Developments

Based on our knowledge of the Municipality and our discussions with management, we have noted the recent developments set out below. Our audit strategy has been developed giving consideration to these factors.

ISSUES AND DEVELOPMENTS		SUMMARY
	ENTITY SPECIFIC	The municipality has undergone a change to the billing for wastewater. The audit team will document the municipality's processes relating to wastewater billing and collections and perform a walkthrough of the system. We expect our risk assessment and audit response to be similar to water revenue, and will tailor our approach if required.

Risk Assessment

Our audit process focuses on significant risks identified during the pre-planning and planning and risk assessment stage, ensuring that audit procedures are tailored to your specific circumstances and appropriately address those risks.

Based on the preliminary risk assessment procedures performed, we have identified the following significant and high risks which will be addressed during our audit. We have also outlined the proposed audit response to address those risks. We will update our risk assessment as the audit progresses for additional risks identified and will inform management of any additional significant risks identified.

SIGNIFICANT RISK AREA	PROPOSED AUDIT RESPONSE
Management override of internal controls	<p>To respond to the overall risk of material misstatement due to fraud regarding management's override of controls, we perform the following procedures:</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 and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud, if applicable. > Evaluate the rationale behind significant transactions that are not in the normal course of business.
Revenue There is an inherent fraud risk associated with recognition of revenues.	<p>Revenue is a presumed fraud risk on certain streams of revenue and therefore considered a significant risk.</p> <ul style="list-style-type: none"> > Water revenues will be tested in a separate test of details based on high risk factor assigned to revenue. > Other revenue sources and government transfers will be tested in a separate test of details based on the high risk factor assigned to revenue.
Asset retirement obligations The liability is subject to significant management judgement and estimate uncertainty.	<p>MNP will obtain management's assessment of the asset retirement obligation.</p> <ul style="list-style-type: none"> > We will consider the effect of any acquisitions or dispositions of tangible capital assets and assess potential impact of new contracts and agreements. > We will re-calculate the obligation, review assumptions used, such as inflation and discount rates, and agree to collaborative information.

Audit Team

In order to ensure effective communication between the Audit Committee and MNP, we outline below the key members of our audit team that will be responsible for the audit of Cape Breton Regional Municipality and the role they will play:

RETURNING TEAM MEMBERS	CONTACT INFORMATION
Darren Chiasson, CPA, CA, Partner	E: Darren.Chiasson@mnp.ca
Kyle Musial, CPA, CA, Senior Manager	E: Kyle.Musial@mnp.ca
David Farrell, CPA, Senior Accountant	E: David.Farrell@mnp.ca
Devon Maclean, CPA, Senior Accountant	E: Devon.Maclean@mnp.ca
Spencer Shebib, Accountant	E: Spencer.Shebib@mnp.ca

Our partners and senior management are committed to providing you with the highest level of attention and oversight throughout the terms of this engagement, reflecting MNP's staffing model and client service philosophy. Through consistent attention from leaders, our engagement team will maintain responsibility and authority over all matters of the engagement and will drive service delivery and issue resolution. In addition, the engagement team will be actively involved and have hands-on involvement with service delivery, ensuring engagement objectives will be met.

In order to serve you better and meet our professional responsibilities, we may find it necessary to expand our audit team to include other MNP professionals whose consultation will assist us to evaluate and resolve complex, difficult and/or contentious matters identified during the course of our audit.

Any changes to the audit team will be discussed with you to ensure a seamless process and that all concerned parties' needs are met.

Timing of the Audit

KEY DELIVERABLE	EXPECTED DATE
Year-end fieldwork procedures	Late July - August, 2025
Presentation of March 31, 2025 Audit Findings Report to the Audit Committee	Mid September 2025
Presentation of Management Letter to the Audit Committee	Mid September 2025
Issuance of Independent Auditor's Report	Late September 2025

Fees and Assumptions

DESCRIPTION	2025 ESTIMATE
CBRM consolidated base audit fee	\$ 48,300
CBRM Water Utility base audit fee	\$ 11,200
Total	\$ 59,500

If any significant issues arise during the course of our audit work which indicate a possibility of increased procedures or a change in the audit timetable, these will be discussed with management by the engagement partner, so a mutually agreeable solution can be reached.

Invoices will be rendered as work progresses and in accordance with the schedule as follows:

DESCRIPTION	AMOUNT
Progress billing #1 - at completion of planning	\$ 25,000
Progress billing #2 - at start of year-end field work	\$ 25,000
Final billing – upon release of auditor's report	\$ 9,500
Total	\$ 59,500

We look forward to discussing our Audit Service Plan with you, as well as any other matters of interest to you.

Sincerely,

MNP LLP

Chartered Professional Accountants

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