

**Audit Committee**  
**Agenda**

**Tuesday, May 11, 2021**

**1:30 p.m.**

**VIA**  
**VIDEO/TELECONFERENCING**

**Committee Members:** Deputy Mayor Earlene MacMullin - Chair  
Councillor Cyril MacDonald  
Councillor Glenn Paruch  
Councillor Stephen Parsons  
Councillor Lorne Green  
Mark Galley, Citizen  
Rakesh Kochhar, Citizen

## **CBRM Audit Committee**

### **Agenda**

**Tuesday, May 11, 2021  
1:30 p.m.**

**Via  
Video/Teleconferencing**

---

#### **Roll Call**

1. **Approval of Minutes:** (previously distributed)
  - September 28<sup>th</sup>, 2020
  
2. **Approval of Agenda:** (Motion Required)
  
3. **MNP – Presentation:**
  - a) **Summary Audit Service Plan:** Mr. Darren Chiasson, CPA, CA - Partner, Business Advisor (See page 3)
  
4. **Audit Committee Terms of Reference:** Jennifer Campbell, Chief Financial Officer (See page 14)

#### **Adjournment**



# Cape Breton Regional Municipality

## Summary Audit Service Plan for Presentation to the Audit Committee

May 11, 2021



# Areas of Audit Emphasis for 2021

- Valuation of receivable, including taxes, water rates and other
- Solid waste management facilities liability
- Accrued payroll costs
- Revenue recognition, including taxes, water, government transfers and own source revenue \*
- Payroll \*\*
- Management override of internal controls \*
- Guarantees, contingencies, lawsuits, commitments and subsequent events

\*Denotes a presumed fraud risk under Canadian Auditing Standards

\*\* Identified as additional potential fraud risks at CBRM and Water Utility

This Summary Audit Plan for the Audit Committee summarizes our detailed audit plan, which includes specific procedures on the risk areas noted.

# Summarized testing Approach for 2021

- MNP will be performing tests of details (substantive testing) on all areas of audit emphasis
- For areas denoted as a significant risk, sample-based testing will be performed at the highest risk factor
- Controls testing will be performed over the cash/receivables/revenue, expenses/payables and payroll functions. Where controls reliance can be taken, test of details will be reduced to take advantage of effective controls
- Walkthroughs of all business cycles will be performed in accordance with Canadian Auditing Standards requirements
- Audit test procedures will include:
  - **Taxes, water rates and other receivable**
    - Perform substantive procedures of the valuation of receivables including a review of aging
    - Perform testing of cash receipts
  - **Tangible capital assets**
    - Vouch significant tangible capital asset additions and disposals
    - Recalculate annual amortization
  - **Solid waste management facilities liabilities**
    - Recalculate and perform substantive procedures of the inputs to the calculation
  - **Accrued payroll costs**
    - Obtain documentation to support accruals and perform substantive testing of the completeness, existence and accuracy

# Summarized testing Approach for 2021

- **Revenue recognition**
  - Perform controls testing, where appropriate, on billing revenue cycles
  - Perform substantive analytical testing on tax billing, water billing and ancillary revenue
- **Payroll**
  - Payroll controls testing for employee actions, authorization/review of payroll actions and reports
  - Substantive analytical testing of payroll
- **Expenditures**
  - Perform controls testing on approval, recording and payment of disbursements
- **Management override of controls:**
  - Analytical procedures
  - Review of Council minutes
  - Journal entry testing

## Materiality - CBRM

- CBRM materiality is based on 2% of expected operating revenue as at March 31, 2021
- 2021 estimated preliminary materiality = \$3,000,000 (based on March 31, 2021 operating revenue budget)
- Adjustments above 7.5% of materiality are reported to the Audit Committee.
- Final materiality will be assessed based on any significant or new risks determined in discussion with management prior to or during the audit

# Materiality – CBRM Water Utility

- CBRM Water Utility materiality is based on 2.0% of expected operating revenue as at March 31, 2021
- 2021 estimated preliminary materiality = \$540,000 (based on March 31, 2021 Operating Fund revenue budget)
- Adjustments above 7.5% of performance materiality are reported to the Audit Committee.
- Final materiality will be assessed based on any significant or new risks determined in discussion with management prior to or during the audit

# Audit Team

Senior audit team members are as follows:

- Darren Chiasson Engagement partner
- Sonny MacDougall Quality Assurance partner
- Sheila Gillis Tax principal
- Christopher Edwards Engagement senior manager

# Timetable

- Audit planning commenced in March 2021
- Preliminary interim procedures took place during April 2021
- Year end procedures to commence in July 2021
- Draft financial statements to be discussed with management early September 2021
- Auditors' findings and report on the March 31, 2021 financial statements to be presented to the Audit Committee prior to Council meeting in September 2021
- Delivery/filing of financial statements following approval of the financial statements at Council meeting in September 2021

# Estimated Fees

We estimate our audit fee for the year ending March 31, 2021 to be \$46,250, plus administrative fees and HST.

# Auditor Independence

We are not aware of any relationships between MNP partners, managers, and staff and their spouses or close family members with CBRM.

We confirm to the Audit Committee that we remain independent of CBRM and its consolidated entities.

# MADE <sup>IN</sup> CANADA

## And Proud of it!

*At MNP we're proud to be the national accounting, tax and business consulting firm that is 100% Made in Canada.*

Why is this important? Because it defines who we are and our approach to business. It has helped shape our values, our collaborative approach and the way we work with our clients, engaging them every step of the way.

Our history gives us a unique perspective. We know Canada because we are a part of Canada. All of our decisions are made here – decisions that drive Canadian business and help us all further achieve success.

And the sense of strong Canadian commitment, being a part of every community we live and work in, and always being there through prosperous and challenging times.

Being 100% Canadian is something we wear proudly because we know the great opportunities that exist here. The opportunities that have been afforded to our firm, the same opportunities that we deliver to our clients





## **Memo**

**Date:** May 4, 2021

**To:** Members of the Audit Committee

**From:** Jennifer Campbell, CPA, CA Chief Financial Officer

**Re:** Audit Committee Terms of Reference

CBRM's Audit Committee Policy details various items for which it is responsible for oversight. To ensure there are no gaps in the fulfillment of these duties, this memo serves as a proposed timeline to ensure the committee fulfils its mandate in the coming term and meets all Provincial reporting deadlines.

<b>Purpose</b>	<b>Duty/Responsibilities</b>	<b>Meeting</b>
<b>Key financial information that will be provided to the Province or made public</b>  <b>Financial condition indicators</b>	Ensure that meaningful financial information regarding current financial results and up to date forecasts is received on a timely basis, and that it provides information required for decision making	September
<b>External and/or internal audit activities</b>	Review the qualifications, independence, quality of service, performance and fees of the External Auditors annually and recommend the appointment of an auditor to Council;	September/ November
	Review with Management and the External Auditor, the annual audited financial statements and recommend the approval to Council	September
<b>The system of internal controls, risk management and financial</b>	Review with Management, the internal control management letter received from the auditors and recommend any changes to Council, as required	September

<b>information technology</b>	Review with Management the adequacy of internal controls	September
	Review with Management annually all financial policies including those used in the preparation of the external financial statements	September
	Review of such matters arising out of the audit as may appear to the audit committee to require investigation	September
	Inquire into any activities or transactions that may be illegal, questionable or unethical	September
	Review the overall reasonableness of CAO, Mayor and Council travel and hospitality expenses	September
<b>Cash and investment management activities</b>	Review with Management the adequacy and use of reserve and surplus funds	September
	Periodically assess banking services, oversee the procurement of these services in accordance with Council policy, and recommend any changes to Council	June
<b>Insurance coverage and significant risks and uncertainties</b>	Review with Management annually risk management practices including adequacy of insurance coverage for significant risks and uncertainties	June

While the minimum requirement is to have 2 audit committee meetings per year, given the significant turnover of audit committee membership and the expiry of several key service contracts falling under the jurisdiction of the committee, up to 4 meetings may be required for this coming year. Both CBRM's Insurance Services and Audit Services agreements expire this year, therefore, RFP's for both will have to be issued and evaluated. The Committee will be required to make a recommendation to Council for the award of these contracts.

Respecting our Banking Services Agreement, CBRM has not issued a Request for Proposals in over a decade. CBRM's Procurement Policy stipulates that general banking services will be acquired at the discretion of management in consultation with the audit committee. The audit committee may want to consider directing staff to issue an RFP considering the significant length of time that has elapsed since the last banking service agreement was negotiated.

Respectfully submitted,

Jennifer Campbell, CPA, CA  
Chief Financial Officer

