

**Audit Committee**  
**Agenda**

**Wednesday, June 3<sup>rd</sup>, 2020**

**1:30 p.m.**

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

**Committee Members:** Deputy Mayor Ivan Doncaster - Chair  
Councillor Clarence Prince  
Councillor George MacDonald  
Councillor Darren Bruckschwaiger  
Ian MacLean, Citizen  
Rakesh Kochhar, Citizen

## **CBRM Audit Committee**

### **Agenda**

**Wednesday, June 3<sup>rd</sup>, 2020  
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Video/Teleconferencing**

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#### **Roll Call**

1. **Approval of Minutes:** (previously distributed)
  - September 26<sup>th</sup>, 2019
  
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)

#### **Adjournment**



# Cape Breton Regional Municipality

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

June 3, 2020



# Areas of Audit Emphasis for 2020

- Valuation of taxes and other receivable
- Accuracy of solid waste management facilities liability
- Completeness, existence and accuracy of accrued payroll costs
- Revenue recognition (Water, tax and ancillary) \*
- Payroll controls and reporting\*\*
- 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 due to nature of risk area

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 2020

- 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 and expenses/payables 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 and other receivable**
  - Perform substantive procedures of the valuation of taxes and other receivables
- **Solid waste management facilities liabilities**
  - Recalculate and perform substantive procedures of the inputs to the calculation
- **Accrued payroll costs**
  - Obtain supporting listings and perform substantive testing of the completeness, existence and accuracy
- **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
- **Management override of controls:**
  - Analytical procedures
  - Review of Council minutes

# Materiality - CBRM

- CBRM materiality is based on 1.25% (2019 – 1.25%) of expected operating revenue as at March 31, 2020
- 2020 estimated preliminary materiality = \$1,842,000 (based on March 31, 2019 final operating revenue)
- 2019 final materiality = \$1,838,000 (based on 1.25% of March 31, 2019 internal preliminary operating revenue)
- Adjustments above 7.5% of materiality are reported to the Audit Committee.
- Component 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% (2019 – 2.0%) of expected operating revenue as at March 31, 2020
- 2020 estimated preliminary materiality = \$537,700 (based on March 31, 2019 final Operating Fund revenue)
- 2019 final materiality = \$534,000 (based on 2.0% of March 31, 2019 internal preliminary Operating Fund revenue)
- Adjustments above 7.5% of performance materiality are reported to the Audit Committee.
- Component 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
- Evan Baillie                                Engagement senior

# Timetable

- Audit planning commenced in March 2020
- Preliminary interim procedures took place during April 2020
- Year end procedures to commence in July 2020
- Draft financial statements to be discussed with management early September 2020
- Auditors' findings and report on the March 31, 2020 financial statements to be presented to the Audit Committee prior to Council meeting, September 2020
- Delivery/filing of financial statements following approval of the financial statements at Council meeting in September 2020

# Estimated Fees

We estimate our audit fee for the year ending March 31, 2020 to be \$45,000, plus administrative fees.

# 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

