

**THE MUNICIPALITY OF THE DISTRICT OF SHELBURNE
FINANCE DEPARTMENT**

136 Hammond Street, PO Box 280 Shelburne, NS B0T 1W0

Phone: (902) 875-3544 – Fax: (902) 875-1278

www.municipalityofshelburne.ca

Municipality of the District of Shelburne
**AUDIT AND INTERNAL CONTROL COMMITTEE MEETING
MINUTES**

Tuesday, October 18, 2022

1:00 pm

A meeting of the Audit and Internal Control Committee was held on Tuesday, October 18, 2022.

Present:

Larry Pelletier, Chairperson (Public Member)

Sandy Hood, Vice Chair (Public Member)

Warren MacLeod, CAO

Michelle Williams, Director of Finance

Erin Hartley, Deputy CAO

Councilor Ron Coole

Councilor Sherry Thorburn-Irvine

Kelsey Murphy, CPA, CA

Grant Thornton (via Teams)

Michelle Mitchell, Recording Secretary

Regrets:

Deputy Warden Dale Richardson

1. Call to Order

The meeting was called to order at 12:57 am by Chairperson, Larry Pelletier.

2. Amendments/Approval of Agenda

Being duly moved and seconded, be it resolved that the agenda of October 18, 2022, be approved as circulated.

3. Approval of Minutes

Being duly moved and seconded, be it resolved that the following minutes be approved as circulated:

1. July 6, 2022
2. September 20, 2022



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4. Business Arising

The following motion was put forth for approval by Council at the September 28, 2022, meeting:

1. Recommends that the Council of the Municipality of the District of Shelburne invite the Director of Recreation, Parks and Public Works Staff to a future Audit and Internal Control Committee meeting to discuss the parks and trails insurance and risk.

This motion has been approved by Council, the A&C Committee is requesting that Adam Dedrick, Director of Recreation, Darrell Locke, By-Law officer, and Dan Vincent, Public Works Operator attend the November 15, 2022, meeting to have a discussion with the committee and then potentially provide a staff report later.

The committee is asking for the following items to be a part of the upcoming discussion:

1. To see the presentation from the insurers – Dan Vincent to request a copy.
2. How other Municipalities handle the potential risk/liability of trails.
3. What current practices are in place for the trails.

Kelsey Murphy entered the meeting at 1:02pm

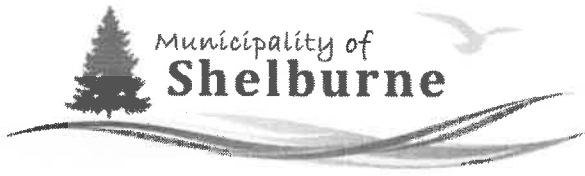
Erin Hartley entered the meeting at 1:03pm

5. Presentation from the Auditors – Kelsey Murphy, Grant Thornton

a. Management Letter

Kelsey Murphy, CPA, CA, Grant Thornton reviewed the Management letter and provided the following updates:

1. When looking at an internal audit function, the goal is that the function is kept separate from management. If there is an individual doing testing, they should be reporting directly to the Audit and Internal Control Committee. It was noted that if someone with finance, or recreation, or another department were to test controls, there is the risk that they still report to the CAO or management in general and could lead to inherit bias.
2. It was noted that when an internal audit is recommended, there should be the independence of going in to see how the controls are taking place. If you have an individual to complete the testing, you want to have someone that is familiar with testing. Ms. Murphy noted that this option may not have been advisable in the past for an Audit and Internal Control Committee member to complete if there was not an individual that held the skill set to complete the testing. If there is now a member who holds the skill set to complete the testing/audit, then they could do so because they are independent from management.



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Larry Pelletier asked Ms. Murphy how often the testing/audit should be complete. Ms. Murphy stated that in an ideal world, you test your most significant controls annually, and then focus on testing the nonsignificant, supplementary controls as well. Ms. Murphy noted that when Grant Thornton completes control-based audits on public companies, they test the most significant controls annually, and then the other controls are normally on a three-year rotation.

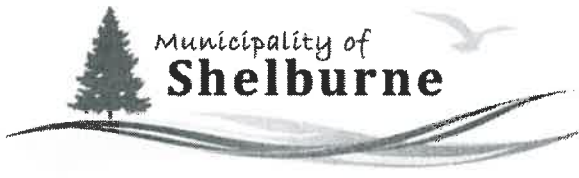
Mr. Pelletier asked that if we had an individual to complete testing/auditing, would this resolve the issue of segregation of duties as well. Ms. Murphy noted that for this instance, the concern in question is the posting and approval of journal entries. The way it is set up right now, the DOF prepares and post all journal entries, there is currently a staff member that essentially approves and signs off on them, but there is no one else in the department who has the knowledge to prepare and enter journal entries, nor is there another level of management with the knowledge to sign off on journal entries.

b. Municipal Pension Plan

Ms. Murphy noted that this municipal pension plan was not something they were aware of until they completed the 2021/2022 audit as the Municipality of Shelburne was not aware of this and understood the previous Pension Administrator had closed out the plan several years ago. Once this was brought up to the Audit and Internal Control Committee, the auditors decided to investigate this deeper. Ms. Murphy provided the committee members with a pension report for reference. Currently the Municipal Pension Plan is set up as a liability, however, the auditors believe this should be set up as an asset. It was noted that when the Municipality first received a letter from the pension company in July 2021 which was made out to the previous Pension Administrator at the Municipality of Shelburne and sent to the Town of Shelburne; the Municipality was surprised to receive this letter. In the letter, it stated that the Municipality could hypothetically owe \$38,620, and so this amount was set up as a liability. Ms. Murphy stated that currently, under the pension plan, the Municipality is sitting in a funded position of \$44,000 meaning the Municipality is not required to make any payments. The assumption here is that, if the market continues with the rate that the actuary uses and the life expectancy of the staff under this plan is reasonable, the Municipality will not owe anything further on this plan. The auditors recommend that with this information, the Municipality should be showing this pension plan as an asset of \$44,224 rather than a liability.

Kelsey Murphy left the meeting at 1:47pm

A meeting will be held between Larry Pelletier, Michelle Williams, DOF, and Warren MacLeod, CAO to discuss the option of Mr. Pelletier being appointed as the individual to perform the internal audit of the Municipalities processes as well as be the personnel to review and approve



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journal entries. Once the discussion is had, and a plan is in place, an update will be provided to the Audit and Internal Control Committee.

6. Signing Authority Policy – Michelle Williams, Director of Finance

Michelle Williams, DOF, reviewed the current Signing Authority Policy, and noted that the CAO has requested a change of policy to add the new position of the Deputy CAO as an authorized signer.

Being duly moved and seconded, The Audit and Internal Control Committee recommends the following motion:

1. Recommends that the Council of The Municipality of the District of Shelburne add the position of the Deputy CAO to the signing authority policy.

7. Update on Council Approved Minutes for July 13, 2022 – August 31, 2022 – Warren MacLeod

Warren MacLeod, CAO reviewed the topics of the Council approved minutes from July 13, 2022 – August 31, 2022, there were no questions from the committee.

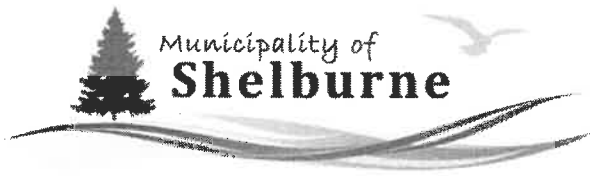
8. Implementation Report – Warren MacLeod, CAO

Warren MacLeod, CAO reviewed the topics of the implementation report. It was noted that a new process has been set up for all items on the report, each item will now have a ranking of prioritization, either being, low, medium, or high priority.

Michelle Williams, DOF, provided an update on the ARO topic per the implementation report including in the package.

The following items to be added to the implementation report:

1. Discussion on Trails: Adam Dedrick, Darrell Locke, and Dan Vincent to attend the November 2022 meeting to lead a discussion regarding the current practices around the Municipal trails.
Priority level: Medium
2. A&C Chair Test Plan: DOF, A&C Chair, and CAO to meet to discuss plan on how the A&C committee will perform testing in line with the Management Letter from the Auditors.
3. Municipal Pension: Michelle Williams, DOF to move the Municipal Clerk Pension to an asset on the balance sheet.



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The following change is to be made to the implementation report:

1. Sewer Services Analysis: Assigned personnel to be changed to Director of Operations and Protective Services.

The following items has been deemed complete and will be removed from the implementation report:

1. Manulife
2. Management Letter
3. Municipal Pension

9. Year to Date Audit and Internal Control Report to Council – Warren MacLeod, CAO

Warren MacLeod, CAO, reviewed the Year-to-Date Audit and Internal Control Report, this will be presented at council by a Councilor on the committee.

10. Reporting Motions to Council – Larry Pelletier

Being duly moved and seconded, The Audit and Internal Control Committee recommends the following motion:

1. Recommends that the Council of The Municipality of the District of Shelburne add the position of the Deputy CAO to the signing authority policy.

11. Next Meeting

The next meeting of the Audit and Internal Control Committee is scheduled to be held on November 15, 2022, at 1pm and to cover the following topics:

1. Confirmation of Public Members – Appointments shall be for two-year term, at the end of each term, a committee member may express their interest in continuing as a member or resign as a member.
2. Election of Officers – Chair and Vice Chair
3. Discussion on Trails from Recreation Department
4. Fire Department Financials
5. Financial Update October 2022
6. Update from the Chair of the Test Plan per the Management Letter



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12. Adjournment

There being no further business, the meeting adjourned at 2:42 pm.

Michelle Mitchell, Finance Clerk
Recording Secretary

Michelle Williams, Director of Finance

Larry Pelletier, Chairperson