



**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](http://www.municipalityofshelburne.ca)

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

Tuesday, February 16, 2021

10:00 am

A meeting of the Audit and Internal Control Committee was held on Tuesday, February 16, 2021, via Microsoft Teams.

**Present:**

Larry Pelletier, Chairperson (Public Member)  
Sandy Hood, Vice Chair (Public Member)  
Trudy Payne, CAO  
Erin Hartley, Director of Corporate Services  
Michelle Williams, Director of Finance

Councillor Terry McIntyre  
Councillor Ron Coole  
Councillor Sherry Thorburn Irvine  
Michelle Mitchell, Finance Clerk  
Joseph Hines, B. Comm, CAIB- Arthur J. Gallagher

**Regrets:**

**1. Call to Order**

The meeting was called to order at 10:00 am by Chairperson, Larry Pelletier.

**2. Amendments/Approval of Agenda**

Being duly moved and seconded, be it resolved that the Agenda of February 16, 2021 be approved as circulated.

**3. Approval of Minutes**

Being duly moved and seconded, be it resolved that the Minutes of January 19, 2021 be approved as circulated.

**4. Business Arising**

There was no business arising.

**5. Presentation on Cyber Insurance – Joseph Hines,**

Michelle Williams, DOF and Trudy Payne, CAO met with Joseph Hines prior to this Audit and Internal Control Meeting and felt that it would be beneficial to the committee to have Mr. Hines come and speak to the committee on some more details about Cyber Insurance.



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Joseph Hines, B. Comm, CAIB – Arthur J. Gallagher stated that on a Regional and National level, they have seen a severe increase from both an insured and uninsured perspective of losses regarding cyber-attacks, a lot of these have been ransom ware attacks and includes recent attacks in municipalities, Mr. Hines then discussed what Ransom Ware Situations are:

**Ransom Ware Situations** – threat hackers gain access to your network - can be through links sent to employees or credential stuffing. Once they gain access, they will sit in the network and monitor communications of an individual and move laterally across the network to a targeted individual, which most often is an individual in the finance department. They will then sit dormant in the system, monitor communications and then at a specific time they will lock the systems down – normally when the company receives a large payment(s). Once the system is on lock down, they will then demand crypto currency to release the network. In the past, these demands were around the equivalent of \$10,000-\$15,000 of bitcoin, however in the 2020 year in our region there was no demand seen under \$100,000. Mr. Hines also noted that in some ransom ware situations, they will state that if they do not receive a payment, they will create a public facing website and post all the information they have taken from the company for everyone to see.

Mr. Hines stated that cyber policies do not only provide coverage on a first and third party level for cost associated with one of the above types of events, but they also provide services to deal with this type of event which is access to a breach coach. Mr. Hines informed the committee that what the breach coach does, is that if a situation does occur, you will go right to your breach coach and they will walk you through the whole claim. Breach coaches will also bring in any necessary outside sources such as privacy lawyers or PR teams which are covered under the first party level of the insurance. Mr. Hines noted that they have seen that a lot of the time in uninsured claims, companies have gone weeks without being able to get access to these outside sources as they are typically held up with insured claims.

CAO, Trudy Payne asked Mr. Hines if he could speak to the fact that it does not only have to be electronic files to be covered. Mr. Hines replied that there is coverage for both paper and digital files.

Councillor McIntyre made a comment that he thought our IT team should be looking out for these situations and asked why we should need cyber insurance. Mr. Hines stated that this question often comes up, however under the Provincial Bill PIPIDA it is stated that an organization that a company trusts their information with is the organization that is responsible for the safe keeping of that information, most of the time these IT organizations state in their service agreements that they are not responsible if any documents or information is breached. Mr. Hines clarified that cyber insurance is not a replacement in any way of current IT services,



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but more of a support factor if something does go wrong. Ms. Payne also stated that in a previous meeting the Municipality's IT support, David Muise commented on the fact that if there was a breach, it would be the Municipality responsible to pay for any cost, the IT support is there to try to reduce the risk, but the service agreement does state that it would be the Municipality's responsibility if any information was released or if a breach was to occur.

Larry Pelletier voiced a concern about the amount covered for insurance claims and specifically about the aggregate amount, that is one claim was to use up the entire amount of insurance, that would be it for the entire year. Mr. Hines stated that there is one large benefit with the company CFC and that from a public sector perspective, CFC is the most popular insurer when it comes to Municipalities because they pay on an each and every claim basis – except for insuring agreement #4 which is third party network security liability privacy breach coverage. This means that any third party liability is an aggregate limit, but all other coverages are on an each and every claim basis. Mr. Pelletier asked for clarification on what is considered a third party claim and Mr. Hines stated that the third party section is network security liability and privacy liability which is if someone acts against a company.

The Audit and Internal Control Committee proposed this motion and recommendation to council:

The Audit and Internal Control Committee recommends to Council to purchase CFC Cyber Liability Insurance with a \$2,000,000 limit and \$10,000 deductible at an annual premium of \$6,250 for the Budget 2021/22.

Council to review the status of the annual \$5,000 Cyber Reserve for the Budget 2021/22.

Joseph Hines left the meeting 10:36am

## **6. Discussion on Environmental Insurance – CAO**

CAO, Trudy Payne, recommended that we should look at getting environmental insurance as we do have the C&D site, the Sewer Treatment plant as well as we have several outdated tanks. Ms. Payne mentioned that she would be looking into working with the staff to get in touch with the oil company so we could bring our tanks back up to code to have them covered on insurance. Ms. Payne noted that initially looking at the coverage she was thinking of going with the \$2M coverage with a \$10,000 deductible.

The Audit and Internal Control Committee proposed this motion to council:

The Audit and Internal Control Committee recommends to Council to purchase the Cowan Environmental Liability Insurance with a \$5,000,000 limit and \$5,000 deductible at an annual premium of \$6,110 for the Budget 2021/22.



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**7. Update on Council Approved Minutes for January 11, 2021 – CAO**

CAO, Trudy Payne reviewed the main topics of interest from the Council Minutes from the January 11, 2021 meeting. Ms. Payne asked the Committee if they had any questions regarding the Council Minutes that were included in the Audit and Internal Control Committee meeting package.

Mr. Pelletier asked a question around the comment made of the Board of Governance training that is being looked into for the Sable River Fire Department and asked if this is something that could be offered to other Fire Departments as well. Ms. Payne said that it is something they have discussed, however certain training would be specifically for the Sable River Fire Department and would not be able to be offered to other fire departments, but if there is flexibility of other non-specific training, this would be offered to other departments.

**8. Implementation Report – CAO**

CAO, Trudy Payne reviewed the topics of the implementation report.

**HST Issue** – We are still waiting to hear back from CRA with a decision.

**Sewer Services Analysis** – Ms. Payne has been working with CBCL and they are in the process of sending a final report on the biosolids review and they plan to make a presentation to the Audit and Internal Control Committee and Council.

**Fire Project** – it was suggested that the Fire Advisory Committee re visit the fire services review, and it was decided they wanted to do an inventory review internally, there were three members chosen to visit all fire departments to do an inventory and bring it back to the Fire Advisory Committee to make some recommendations to council on how to move forward.

**Robbery Prevention** – Report is still to come later.

**Environmental Coverage** – Motion has been passed to make a recommendation to Council for purchase of insurance.

**Cyber Security** – Motion has been passed to make a recommendation to Council for purchase of insurance.

**Fraud Policy & Risk Assessment** – Report is still to come later.

**Asset management** – We are still waiting to hear back from the Government about our grant.



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**PSAB** – Grant Thornton made a presentation to the committee; staff can start planning for it in the budget.

**COVID-19 Impact** – We continue to monitor; we have proven we can pivot if we need to if a second wave occurs and staff can work from home and still provide services.

**Engagement Letter** – CAO, Trudy Payne signed engagement letter from Grant Thornton.

**Cyber Insurance Quote** – We have received the quote and it was presented earlier in the meeting.

**9. Year to Date Audit and Internal Control Report to Council – CAO**

Trudy Payne, CAO, reviewed the Year to Date Audit and Internal Control Report, this will be presented at council by a Councillor on the committee.

**10. Reporting Motions to Council – Larry Pelletier**

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

1. The Audit and Internal Control Committee recommends to Council to purchase CFC Cyber Liability Insurance with a \$2,000,000 limit and \$10,000 deductible at an annual premium of \$6,250 for the Budget 2021/22.
2. The Audit and Internal Control Committee recommends to Council to purchase the Cowan Environmental Liability Insurance with a \$5,000,000 limit and \$5,000 deductible at an annual premium of \$6,110 for the Budget 2021/22.

The Audit and Internal Control Committee have the following recommendation:

1. Council to review the status of the annual \$5,000 Cyber Reserve for the Budget 2021/22.

**11. Next Meeting**

Next meeting to be determined once presentation from CBCL is completed.

**12. Adjournment**

There being no further business, the meeting adjourned at 11.37 am.



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Michelle Mitchell, Finance Clerk  
Recording Secretary

A handwritten signature in blue ink that reads "Michelle Williams". The signature is written in a cursive style and is positioned above a horizontal line.

Michelle Williams, Director of Finance/Deputy CAO

A handwritten signature in blue ink that is heavily scribbled and illegible. It is positioned above a horizontal line.

Larry Pelletier, Chairperson