

Agenda

Audit Committee Meeting

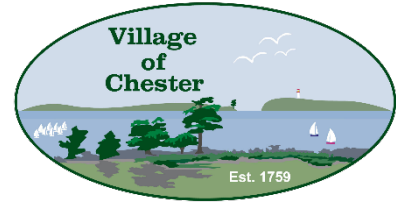
Monday, April 22, 2024 – 2:00 pm

In-Person & Virtual Meeting

VOC Office, 27 Pleasant Street, Chester

Zoom <https://us02web.zoom.us/j/83220906958>

or YouTube <https://www.youtube.com/@villageofchesters>



1.0 Call to Order

2.0 Approval of Agenda

3.0 Review/Approval of Minutes

3.1 Audit Committee: Thursday, June 1, 2023

4.0 New Business

4.1 Overview of 2023/24 Village Audit Process per MGA/FRAM

- Responsibilities of Auditor
- Financial implications of fire oversight to Chester Fire Services Committee

4.2 Responsibilities of Audit Committee per Audit Committee Policy, Article 6

5.0 In Camera – per Section 408B(2) of the Municipal Government Act (if required)

6.0 Resumption of Public Meeting (if required)

7.0 Adjournment

Next Meeting(s)

- Audit Committee: June 13, 2024 – 2:00 pm at 27 Pleasant Street & Virtual
- Annual Public Meeting: June 18, 2024 – 6:30 pm at Location TBD & Virtual

cc: Lawrence Lake, Morse Brewster Lake
Kirk Collicutt, Treasurer, Chester Fire Services Committee

Schedule 3.1

Minutes

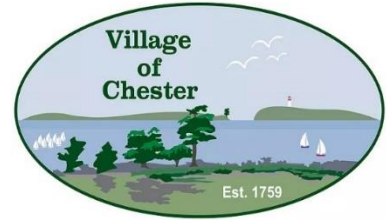
Village Commission Audit Committee Meeting

Thursday, June 1, 2023 – 10:30 am

In-Person & Virtual

VOC Office, 27 Pleasant Street, Chester

Video Archive: https://bit.ly/YouTube_villageofchesterns



Present: Nancy Hatch, Commission Chair; Laura Mulrooney, Commissioner; Randall O'Malley, Commissioner; Geraldine Pauley, Commission Vice-Chair; Sandra Dumaresq, Citizen Representative; Lawrence Lake, Auditor (via Zoom)

Staff: Heather McCallum, Clerk/Treasurer; Maxine Veinot, Recording Secretary

Regrets: Carol Nauss, Commissioner

Public Gallery: Nil

1.0 Call to Order

Chair Hatch called meeting to order at 10:34 am.

2.0 Approval of Agenda

Motion #23-061: Commissioner Pauley moved; Commissioner O'Malley seconded: The approval of the June 1, 2023, Audit Committee Meeting Agenda as presented.
Unanimously Carried

3.0 Review/Approval of Minutes

Motion #23-062: Commissioner O'Malley moved; Commissioner Pauley seconded: The approval of the April 26, 2023 Audit Committee Meeting Minutes as presented.
Unanimously Carried

4.0 Business Arising

4.1 Responsibilities per Audit Committee Policy, Item 6:

- Financial Reporting – The Auditor reviewed the Draft Audit Financial Statements (*Schedule 4.1*).

Sandra Dumaresq asked about the addition to Tangible Capital Assets (page 9 Notes to Financial Statements) of \$83,908 which Mr Lake stated was the demolition of the hotel.

Commissioner Pauley questioned the codes/numbers on the side of the Trial Balance pages. Mr. Lake stated these are for his use only.

Motion #23-063: Commissioner Pauley moved; Sandra Dumaresq seconded: The Audit Committee recommend to the Village Commission that the Audit be accepted as tabled by the Auditor.

Unanimously Carried

- Risk and Uncertainty
- Financial Controls and Deviations
- Relationship with Auditor
- Audit Committee Composition

The above responsibilities of the Audit Committee were not discussed again, having been reviewed at the previous meeting.

4.2 Public Member Recruitment

The continuing vacancy of a second Citizen Representative was discussed under the Financial Reporting and Accounting regulations of the MGA, an Audit Committee must include a minimum of one member of the public. The Village's Audit Committee Policy requires two.

Motion #23-064: Commissioner O'Malley moved; Commissioner Mulrooney seconded:

To recommend to the Commission that the Audit Committee Policy be amended to change the committee composition from "two citizen appointments" to "one to two citizen appointments with a minimum of one per the MGA 44(4)."

Unanimously Carried

5.0 Adjournment

Commission Chair Hatch adjourned the meeting at 11:01 am.

Commission Chair
Nancy Hatch

Clerk/Treasurer
Heather McCallum

and for taxes for the current fiscal year which may not be collected or collectable, the amount set out in the requisition shall be paid over by the treasurer of the municipality to the village in installments from time to time as requested by the chair of the village commission.

(7) In determining the rate of taxation required to levy and collect the amount of the requisition, the municipality shall not be bound by the list of rate-payers provided by the village, but may use such other information as is available to it. 1998, c. 18, s. 441; 2014, c. 21, s. 18.

Village commission area rates

442 Where the village incurs an expenditure in an area of the village, the village commission may direct that the amount of the expenditure, together with an allowance for the abatement, losses and expenses which may occur in the collection and for amounts which may not be collected or collectable, be rated and collected by a rate of so much on the dollar on the assessed value of the property in the area as shown on the then current assessment roll of the municipality, and the amount so rated shall be collected in the same manner as other rates of the village. 1998, c. 18, s. 442.

Power to borrow

443 The village may, from time to time, borrow for the purpose of defraying the annual current expenditure of the village and the interest on the loans shall be added to the current expenses for the fiscal year, provided that the loans shall not in the aggregate at any time exceed fifty per cent of the total amount of taxes levied for the current fiscal year. 1998, c. 18, s. 443; 2014, c. 21, s. 19.

Capital reserve fund

444 (1) A village shall maintain a capital reserve fund.

(2) The capital reserve fund of a village is subject to the same requirements and limitations as the capital reserve fund of a municipality.

(3) The village shall pay into a capital reserve fund the proceeds from the sale of any property of the village and the proceeds of any fire or other insurance. 1998, c. 18, s. 444.

Village auditor

445 (1) A village shall appoint an auditor who shall be a person registered as a municipal auditor.

(2) A village auditor has the powers and duties of the auditor of a municipality. 1998, c. 18, s. 445.

Approval or permission by engineer

40 (1) Where approval or permission by the engineer is required pursuant to this Act, the engineer's decision to refuse the approval or permission may be appealed to the

(a) council; or

(b) where there is a committee designated by the council, by policy, to hear appeals, that committee.

(2) On an appeal pursuant to subsection (1), the council or the designated committee, as the case may be, shall

(a) direct the engineer to grant the approval or permission;

or

(b) uphold the decision of the engineer.

(3) The right of appeal pursuant to this Section expires fourteen days after the engineer serves a written decision regarding the approval or permission on the owner. 1998, c. 18, s. 40.

Administrator for dangerous and unsightly premises

41 The chief administrative officer shall designate an employee of the municipality or other person to be the administrator responsible for the dangerous and unsightly premises provisions of this Act. 1998, c. 18, s. 41; 2000, c. 9, s. 35.

Municipal auditor

42 (1) The council shall appoint a municipal auditor who is registered pursuant to this Act to be the auditor for the municipality.

(2) The auditor shall report to the council on the accounts and funds

(a) administered by the council; and

(b) where the control is apparent or implied in the council.

(3) The auditor's report shall contain the information, and be in the form, required pursuant to this Act.

(4) The auditor's report shall be filed with the council and the Minister by September 30 in each year.

(5) The auditor shall report, to the council and to the Minister, any management letters and any communication from the auditor detailing weaknesses in internal control, deficiencies in management information systems or other areas requiring improvement.

(6) The financial statements of a municipality, as reported on by the auditor, shall set out the remuneration paid to each council member and the chief administrative officer.

(6A) The auditor shall certify reports to the council and to the Minister if required by the regulations.

(7) No person shall be appointed as auditor who, at any time during the fiscal year in which the auditor is appointed, is or has been

- (a) a council member;
- (b) a contractor hired by the municipality; or
- (c) an employee of the municipality,

except that an auditor may be reappointed as auditor. 1998, c. 18, s. 42; 2012, c. 63, s. 2; 2017, c. 13, s. 4.

Access by auditor

43 (1) The auditor has access at all times to the books, accounts and vouchers of the municipality and may require from the employees of the municipality such information and explanations as may be necessary for the performance of the auditor's duties.

(2) The employees of a municipality shall, on request, promptly provide access, information and explanations to the auditor. 1998, c. 18, s. 43.

Audit committee

44 (1) The council shall annually appoint an audit committee.

(2) The responsibilities of the audit committee include

- (a) a detailed review of the financial statements of the municipality with the auditor;
- (b) an evaluation of internal control systems and any management letter with the auditor;
- (c) a review of the conduct and adequacy of the audit;
- (d) such matters arising out of the audit as may appear to the audit committee to require investigation;
- (e) such other matters as may be determined by the council to be the duties of an audit committee;
- (f) any other matters as may be determined by the council.

(3) An audit committee shall meet at least twice in each fiscal year.

(4) Subject to subsection (5), an audit committee must include a minimum of one person who is not a member of council or an employee of the municipality.

(5) Where an audit committee does not include the person referred to in subsection (4),

(a) the audit committee shall continue to meet and perform its duties and may exercise its powers; and

(b) the municipality shall advertise to recruit a person who is not a member of council or an employee of the municipality at least once every six months until the requirement is met. 1998, c. 18, s. 44; 2017, c. 13, s. 5.

Pension plans

45 (1) In this Section, “full-time employee” means an employee who is employed in full-time, continuous employment.

(2) The council shall establish a pension plan to provide pensions for full-time employees in such manner as the council shall, by policy, determine.

(3) The council may, by policy, establish pension plans to provide pensions for some or all other employees of the municipality in such manner as the council may, by policy, determine.

(4) A pension plan may include employees of a board, commission or other body corporate established by the municipality alone or jointly with other municipalities.

(5) The council may, by policy, establish a pension plan to provide a pension for the mayor or councillors or both.

(6) The municipality, the employees and, where a pension plan is established for the mayor or councillors, those for whom the pension plan is established, shall make contributions to the plan’s cost.

(7) A pension plan may provide for annual increases in the pensions paid pursuant to the plan, but the increases shall not exceed the lesser of

(a) six per cent; or

(b) the percentage increase in the cost of living in the preceding year, as measured by the change in the Consumer Price Index for Canada prepared by Statistics Canada.

(8) The *Pension Benefits Act* applies to a pension plan established pursuant to this Section. 1998, c. 18, s. 45.

Section 2 - System for Accounting and Reporting

2(1) System for Accounting

- (a) Financial statements must be prepared in accordance with the Chartered Professional Accountants of Canada (CPA Canada) Public Sector Accounting Standards (PSAS) established by the Public-Sector Accounting Board (PSA Handbook). Where the PSA Handbook is silent, the financial statements must follow the Chartered Professional Accountants of Canada (CPA Canada) Handbook.

2(2) Municipal Year End

- (a) The municipality, and committees, boards, authorities or other such entities in which the municipality has a 100% interest, are to have a year end of March 31 for financial reporting purposes.

2(3) Accounting and Reporting Capabilities

- (a) The municipal accounting system must make it possible to:
 - (i) determine and demonstrate compliance with legal provisions;
 - (ii) maintain an adequate system of internal control; and
 - (iii) prepare financial statements that will determine fairly and fully disclose the financial operations of the municipality in conformity with this manual and generally accepted accounting principles.
- (b) Where financial statements prepared in conformity with generally accepted accounting principles differ significantly from those required for legal compliance, the municipality must prepare the appropriate additional notes or schedules to clearly report its legal compliance, responsibilities and accountabilities. In extreme cases, preparation of a separate legal-basis special report may be necessary¹.

¹ The aim of this principle is to emphasize that there is no acceptable substitute for "generally accepted accounting principles." However, since the application of such principles will not always produce the requirements of particular legislation, it may be necessary to meet the latter through specially designed statements and reports.

2(4) Minimum Standards for Financial and Statistical Reporting Requirements

- (a) Section 451(1)(b) of the *Municipal Government Act* states that the Minister may prescribe the information to be provided by the municipalities and villages to the Minister and when it shall be provided.
- (b) Municipalities and villages must submit the following reports on or before the following dates.

Report	Required Date for Submission
1. Auditor's Report and Audited Financial Statements with Management Representation Letter – see Sections 4(1) and 4(2)	September 30
2. Unaudited Non-Consolidated Financial Statements or Schedules of Funds and Fund Balances ² – see Section 3(1)	September 30
3. Management and Internal Control Letter – see Section 4(3)	September 30
4. Auditor's Report and Audited Financial Statements for wholly-owned subsidiaries – see Sections 4(1) and 4(2)	September 30
5. Financial Information Return – see Section 4(4)	September 30
6. Statements of Estimates (A and B) – see Section 4(5)	September 30
7. Requested Action Plans	90 days after request

- (c) Section 19B(1) of the *Municipal Grants Act* states that no grant shall be paid pursuant to this Act until all information requested by the Minister has been provided by the municipality.

² Unaudited financial statements or schedules must provide support to the data reported on the Financial Information Return. Examples are, but not limited to:

- Schedule of Operating Fund Financial Position
- Schedule of Operating Fund Operations – Revenues and Expenses
- Schedule of Financing and Transfers of General Operating Fund
- Schedule of Long-term Debt
- Schedule of Tangible Capital Assets and Amortization Schedule
- Schedule of Taxes and Sewer Receivables

Section 4 - Specific Financial Reporting Requirements

Municipalities and villages are required to submit the following reports:

- Audited Financial Statements with Management Representation Letter;
- Municipal Registered Auditor's Report;
- Management and Internal Control Letter;
- Unaudited Non-Consolidated Financial Statements or Schedules of Funds and Fund Balances; and
- Auditor's Report and Audited Financial Statements for wholly-owned subsidiaries.

Additionally, municipalities are required to submit the following reports:

- Financial Information Return; and
- Statements of Estimates (A and B).

4(1) Audited Financial Statements and Schedules

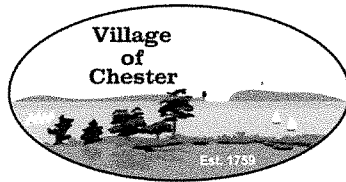
4(1)(a) Municipal Audited Financial Statements

- Standards** – Financial statements are intended to be prepared in accordance with the Chartered Professional Accountants of Canada (CPA Canada) Canadian Public Sector Accounting Standards (PSAS) established by the Public Sector Accounting Board and the specific accounting policies outlined in this manual. Where the PSAS are silent, the financial statements should follow the CPA Handbook.
- Ownership** – Financial statements are prepared and owned by the municipality. The format and contents of the municipality's financial statements are therefore the sole responsibility of the municipality.

4(1)(b) Audited Financial Statement's Schedules and Notes

- Definition** – Supplementary Schedules to audited financial statements contain additional detailed information for the reader. Where possible, details should be broken out by fund. A municipality or village's schedules will vary depending on the complexity and size of the municipal operation.

Schedule 4.2



VILLAGE OF CHESTER AUDIT COMMITTEE POLICY

The Municipal Government Act (MGA) requires the Commission to appoint an audit committee. This policy provides direction on the number and composition of the committee members, clarity on roles and responsibilities of the committee and the frequency of committee meetings.

1.0 Mandate

The primary function of the Audit Committee is to assist the Commission in fulfilling its oversight responsibilities, outlined in the MGA, related to the quality and integrity of financial reporting. The Audit Committee assures fair presentation of the financial position and results of operations of the Village of Chester in accordance with Canadian generally accepted accounting principles and ensures that appropriate systems and controls are maintained for the proper recording of transactions and protection of assets.

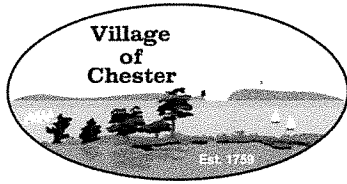
2.0 Authority

The Committee is empowered to make such enquiry and investigation and require such information and explanation from administration as it considers reasonably necessary; and to require administration to inform the Committee and the auditor of any material misstatement or error in the financial statements. The Committee has authority to engage outside advisors where appropriate.

3.0 Committee Composition

The composition of the Committee shall consist of all members of the Commission and two citizen appointments as voting members. The Village Clerk/Treasurer shall be a non-voting member. All members of the Committee must be financially literate and obligated to exercise all the care and diligence of an elected official when dealing with the affairs of the Village.

In discharging of their duties, the members of the Committee may rely in good faith upon the report and findings of any expert engaged by the Committee.



VILLAGE OF CHESTER AUDIT COMMITTEE POLICY

4.0 Operating Principles

4.1 Committee Values

The Committee members are expected to operate in compliance with Commission's Code of Conduct, policies, laws and regulations governing the Village of Chester.

4.2 Communications

The Committee members will maintain direct, open and frank communications with administration, Commission, external auditor, and other key advisors.

4.3 Financial Knowledge

All members of the Committee should be sufficiently versed in financial matters to understand the Village's accounting practices, policies and the judgements involved in preparing financial statements.

4.4 In-Camera Meetings

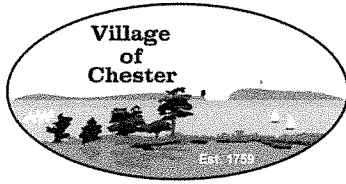
Each Committee meeting agenda, where the auditor is present, will include a time for the Committee members to meet with the auditor in-camera with no staff present.

The Committee may hold in-camera meetings to discuss matters relevant to the Committee's mandate when the Committee deems in-camera meetings appropriate, or at the request of the auditor. Such in-camera meetings may be attended by the auditor and/or management as determined by the Committee.

The Committee may hold in-camera meetings to discuss matters relating to a) setting a price for professional services, b) personnel matters, c) labor relations, d) contract negotiations, e) litigation, f) legal advice, and h) public security.

No decision shall be made at in-camera meeting except a decision concerning procedural matters or to give direction to staff of the Committee.

A record which is open to the public shall be made, noting the fact that the Committee met in-camera, the type of matter discussed, the date, but no other information.



VILLAGE OF CHESTER AUDIT COMMITTEE POLICY

5.0 Operating Procedures

5.1 Meetings

Meetings may be convened at the request of any member of the Committee, at the request of the Commission auditor or Clerk/Treasurer. The Committee is required to meet a minimum of twice a year a) prior to the year end audit to review and approve the audit scope, and b) after the audit is complete, to review the draft financial statements, audit findings. The auditor shall receive notice of all Committee meetings and entitled to attend. Any Committee member may require the attendance of the auditor at any Committee meeting. A copy of the meeting minutes shall be provided to each member of the Committee. All meetings are open to the public as per the Municipal Government Act.

5.2 Quorum and Decision Making

A quorum consists of the majority of the voting members of the Committee. Each Committee member is entitled to one vote and decisions shall be by majority vote of those present. In the absence of the Chair of the Committee, the members shall appoint one of the members to act as Chair of the meeting.

5.3 Reporting

The Committee shall report to the Commission as often as necessary but at least annually. Reporting shall normally be made through the Committee's Chair.

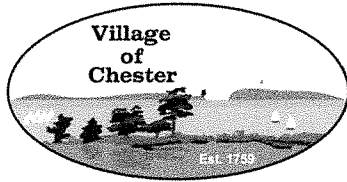
6.0 Responsibilities

6.1 Financial Reporting

- a) Reviewing with the auditor the annual financial statements of the Village.
- b) Reviewing the auditor report and discussing the financial statements with management and with the auditor.
- c) Reviewing the auditor management letter (where applicable) and management's response, as well as the status of any significant issues reported previously.
- d) Recommending the annual financial statements to Commission for approval.

6.2 Risk and Uncertainty

Reviewing, on an annual basis, the adequacy of the internal control system established to minimize risk.



VILLAGE OF CHESTER AUDIT COMMITTEE POLICY

6.3 Financial Controls and Deviations

Reviewing and considering any matters relating to the adequacy of internal controls and any reports from management or others on significant control deviations or indications of fraud and the corrective action undertaken with regard thereto.

6.4 Relationship with Auditor

Recommending annually the appointment of the Municipal Auditor.

Reviewing and approving the overall scope and approach of the auditor annual audit plan. The Treasurer has authority to make minor changes to the audit scope where necessary. Substantive changes that have a significant impact on scope and cost of the audit, will be subject to a staff report to the Commission with estimated costs and resource impacts.

The Commission Chair and Clerk Treasurer will sign the Financial Statements of the Village.

Reviewing the auditor performance, at least annually, including a review of all relationships and engagements between the auditor and the Village for non-audit services that may reasonably be thought to bear on the independence of the auditor.

6.5 Audit Committee Composition

The Committee is required to review the composition on an annual basis and make a recommendation to Commission on Committee membership each year.

Approved: August 14th, 2019

Motion # 19-085

Amended: August 11th, 2021

Motion # 21-102