WEST HANTS REGIONAL MUNICIPALITY REPORT

Information ☐	Recommendation ✓	Decision Request ☐	Councillor Activity ☐

To: West Hants Regional Municipal Council

Submitted by: Councillor Jim Ivey, District 11, Windsor South

Date: July 22, 2025

Subject: Amendment to Terms of Audit Committee (Increased Members)

LEGISLATIVE AUTHORITY
Municipal Government Act: 44. Audit Committee
Meeting and Committee Procedural Policy Appendix E: Audit committee: RCOGE 003.00
Audit Committee Terms of Reference: RADFN-002.04

RECOMMENDATION or DECISION REQUEST:
Recommend that Council amend it Meeting and Committee Procedural Policy Appendix E Section 4.2 for Audit Committee to increase its composition of the Committee from three members of Council to six members of Council and its resident representation from two members to three.

BACKGROUND

The Audit Committee presently consists of five (5) members, (the Mayor, two Council members, and two resident members) who are not members of Council or Municipal Staff.

The Audit Committee's overview within the Meeting and Committee Procedural Policy as well as its Terms of Reference last reviewed by the Committee in March 2023, has remained unchanged since their aggregated adoption as part of consolidation in 2020.

The preceding is important when considering that over the course of the last 5 years, revenues and expenses associated with the operating budget have increased in budgetary terms from approximately $21.6 Million to $38 Million. Significantly the Capital Budget has increased from a budget amount of $21.6 Million in 2021 to a forecast of over $50 Million per year for the next 5 years. Reserve balances have been adjusted to a lesser degree with the consolidated original balance in 2020 of $24.8 million forecast that fiscal year to finish at $18.7 million in 2021. In the current fiscal year (2025-26), the beginning balance of $23.8 Million is anticipated to finish the 2025-26 fiscal year at around $11.0 Million.

(Note the current year numbers are not the official approved budget numbers from 2025-26 budget cycle, but are based on the original estimates within the budget prior to changes and subsequent approval). The purpose in this comparison is simply to provide a sense of growth and change that has occurred during the period from 2020 through 2025/26.

Property ☐	Public Opinion ☐	Environment ☐	Social ☐	Economic ✓	Councillor Activity ✓

DISCUSSION

The initial intent of this report was to identify the benefits of an expanded audit committee with the addition of Councillors and resident members with experience or interest in the finance and accounting of the Municipality.

The recommended increase of committee members serves as a discussion point in suggesting the Council representation be increased from 3 to 6. It could be more. Additionally, the same could be said of the resident numbers. More members could provide broader perspective of experience.

Increasing the numbers of the audit committee can serve as a means to:

- Enhance the committee’s oversight
- Broaden the diversity of experience on the committee
- Expand its independent perspective and objective review
- Improve its assessment of risk while identifying new areas for review
- Enhance our levels of financial governance
- Improved controls and communication.

Adding members would serve to complement the current committee.

On review of the scope included in the committee’s terms of reference, Council may wish to consider review of the terms, before implementing broader changes if any at all.

NEXT STEPS

To Be Determined based on Council Discussion.

Council may defer any changes for broader consideration of the Committee, its roles and responsibilities or it may wish to defer the discussion to the Committee itself.

FINANCIAL IMPLICATIONS

Stipend cost of increasing committee size of $100 per resident member for meetings attended.
Staff time

ALTERNATIVES

ATTACHMENTS: (Below)

1. Meeting and Committee Procedural Policy Appendix E

3. Audit Committee Terms of Reference

2. Municipal Government Act 42-44

(Note the Audit Committee's Appendix E summary terms are similar but not exactly same as the details included within the Committee's Terrms of Reference).

CHIEF ADMINISTRATIVE OFFICER REVIEW

Committee composition is a core responsibility of Council. Staff will support the discussion and decision of Council on the matter.

Report Prepared by: Councillor Jim Ivey

Report Reviewed by: ______________________________
Mark Phillips, Chief Administrative Officer

West Hants Regional Municipality
Meeting and Committee Procedural Policy
APPENDIX E

Audit Committee

1. PURPOSE

1.1. The primary purpose of the Audit Committee (the "Committee") is to provide advice to

Council on all matters relating to audit and finance. The objective of the Committee is to:

a) fulfil the requirements outlined in Section 44 of the *Municipal Government Act*; and

b) assist Council in meeting its oversight responsibilities by ensuring the adequacy and

effectiveness of financial report, risk management and internal controls.

2. SCOPE

2.1. This Policy is applicable to all serving members Audit Committee.

3. DEFINITIONS

3.1. In Appendix E,

a) "Auditor" means the External Auditor conducting the audit of the Municipality;

b) "CAO" means the Chief Administrative Officer for the Municipality;

c) "Director of Finance" means the Director of Financial Services for the Municipality;

d) "Municipality" means the West Hants Regional Municipality.

4. COMMITTEE COMPOSITION

4.1. Council will annually appoint members to an Audit Committee.

4.2. The Audit Committee will consist of five (5) members: the Mayor, two Council members, and two resident members who are not members of Council or Municipal Staff. (underlined for emphasis).

a) Resident members should be sufficiently versed in financial matters to understand

the Municipality's account practices and policies and the major judgements

involved in preparing the financial statements.

b) Where an audit committee does not include any resident members, the audit

committee will continue to meet and perform its duties and may exercise its

powers. The Municipality will advertise to recruit resident members at least once

every six months until the requirement is met.

c) The Mayor will chair the Audit Committee meetings, and in their absence, another

appointed Council member will chair.

d) The CAO and/or Director of Financial Services will provide staff support to the

Committee. They are not voting members of the Committee.

e) The Council Renumeration Policy will be followed regarding any remuneration for the two resident members.

f) All members must abide by the Administrative Terms of Reference set out by the Committee and reviewed the by CAO.

5. DUTIES AND RESPONSIBILITIES

5.1. Audit:

a) Review the qualifications, independence, quality of service, performance, and fees of the auditors and recommend the appointment of an auditor to Council.

b) Carry out the responsibilities of the Audit Committee contained in Section 44 of the *Municipal Government Act*, in consultation with Management.

5.2. Finance and Risk Management

a) Review with Management the quarterly financial updates and recommend to Council to be received.

b) Management will give a presentation on all financial policies used in the preparation of the external financial statements; at the first annually meeting of the year.

c) Review with Management the adequacy of internal controls.

d) Review with Management annually risk management practices including insurance coverage.

6. ADMINISTRATION

6.1. Meetings of the Audit Committee will be held at least quarterly. Additional meetings may be necessary to review items relating to the audit and will be called by the Chair.

Source: West Hants Meeting and Committee Procedural Policy

WEST HANTS REGIONAL MUNICIPALITY
AUDIT COMMITTEE TERMS OF REFERENCE

1. Official Name

The official name of this Committee will be the Audit Committee.

2. Members / Composition

The Committee consists of five members.

- The Mayor
- Two (2) Municipal Councillors
- Two (2) Members of the Public

Council will annually appoint an Audit Committee. Each member appointed by Council serves the Committee for a one (1) year term. Members are eligible for reappointment and may serve up to two (2) terms.

The CAO and/or Director of Finance will provide staff support to the Committee. They are not voting members of the Committee.

The Committee chair will act as the liaison in providing recommendations and reports to Council.

The selection process of the members of the public is determined through an evaluation process and a recommendation to Council. The two members at large will rotate off in opposite years to maintain continuity. In the first year, one of the members at large will sit for a one-year term and will not be eligible for reappointment in the following year.

All positions will be reviewed through the evaluation process when the designated term is over, whether an existing member has re-offered or not.

Committee members who fail to attend two (2) consecutive meetings without a reason accepted by the Committee Chair may be recommended to Council to be dismissed from the Committee. Committee members may be dismissed by Council on recommendation by the Audit Committee if they fail to fulfill the identified responsibilities and/or mandate of the Committee.

Each member of the Committee is expected to exercise care and diligence when dealing with the affairs of the West Hants Regional Municipality

3. Goals

The primary function of the Audit Committee is to assist Council in fulfilling its oversight responsibilities outlined in the Municipal Government Act, related to the quality and integrity of financial reporting.

The Audit Committee assures fair presentation of the financial position, and results of transactions and protection of assets.

WEST HANTS REGIONAL MUNICIPALITY
AUDIT COMMITTEE TERMS OF REFERENCE

4. Deliverables

4.1 Financial Reporting

4.1.1 Review with the external auditor the annual financial statements of the Municipality and the West Hants Regional Municipal Water Utilities.

4.1.2 Review the external auditor report and discuss the financial statements with management and the external auditor.

4.1.3 Review the auditor management letter (where applicable) and management's responses thereto, as well as the status of any significant issues reported previously.

4.1.4 Recommend the annual financial statements to Council for approval.

4.1.5 Review with management the quarterly financial updates to be presented to Council.

4.2 Financial and Accounting Policies

The Chief Administrative Officer and Council is responsible for setting financial and accounting policies. The Committee will review financial and accounting policies and recommend changes to the Chief Administrative Officer or Council, if required.

4.3 Risk and Uncertainty

Review with management, on an annual basis, risk management practices including insurance coverage and internal control systems to ensure adequacy.

4.4 Control Deviations

Consider any matters relating to internal controls and reports from management or other to significant control deviations or indications of fraud and the corrective action undertaken with regards to the matter.

4.5 Relationship with External Auditors

Recommend the appointment of the Municipality's auditor.

Review and approve the overall scope and approach of the auditor's annual audit plan. The Director of Financial Services has authority to make minor changes to the audit scope where necessary. Substantive changes that impact the scope and cost of the audit will be subject to a staff report recommended to Council with estimated costs and resource impacts or will be managed within the existing policies of Council related to budget management and expenditures.

The Mayor will sign the Engagement and Representation letters on behalf of the Municipality. The Mayor and Chief Administrative Officer will sign the Financial Statements of the Municipality.

Review the auditor's performance, at least annually, including a review of all relationships and engagements between the auditor and the Municipality for non-audit services that may reasonably be thought to reflect on the independence of the auditor.

4.6 Committee Self Assessment and Accountability

The Committee will annually review, discuss and assess the performance of the Committee and its membership, and will periodically review and consider the need for recommending amendments to these Terms of Reference.

5. Jurisdiction

To pursue such matters arising out of the audit as may appear to the Audit Committee to require investigation, as outlined in Section 44 of the Municipal Government Act (MGA).

6. Resources / Budget

6.1 The Council Renumeration Policy will be followed regarding any stipend for the two members at large.

6.2 The Human Resources Policy and Expense Policy will be followed in regarding Staff time and expenses within the Financial Services Department of the Municipality.

6.3 All budgetary considerations for the Committee will be approved as part of the annual budget approved by Council.

6.4 Staff within the Financial Services Department of the Municipality are available as support to the Committee as required.

7. Governance

Meetings

WEST HANTS REGIONAL MUNICIPALITY
AUDIT COMMITTEE TERMS OF REFERENCE

7.1 Meetings may be convened at the request of any member of the Committee, at the request of the Municipal appointed external auditor, or at the request of the Chief Administrative Officer or management. The Committee will meet no less than four (4) times each year. The required minimum of four meetings will occur:

7.1.1 after appointment of Committee members, for management to present all financial policies used in the preparations of financial statements to the Committee, appoint a Chair, review quarterly financial presentations

7.1.2 prior to the year-end audit, to review and approve the audit scope, and review the quarterly financial presentations

7.1.3 after the audit is complete, to review the draft financial statement, audit findings, and the auditors' performance for the current audit, and review quarterly financial presentations

7.1.4 after approval of audited financial statement, to review process, internal controls, and quarterly financial presentations, and perform Committee Self-Assessment

The Committee will meet with the external auditor at least twice a year, at meetings (2) and (3). The external auditor will receive notice of all meetings to appear at and may be required to attend additional meetings at the Committee's request.

All meetings are open to the public as per the Municipal Government Act.

7.2 In-Camera Meetings

The Committee may hold in-camera meetings as allowed under Section 22 (2) of the Municipal Government Act, for issues related to the Committee.

No decisions will be made at in-camera meetings except a decision concerning procedural matters or to give direction to the Chair or staff.

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

Any Committee or staff member who discloses information matters discussed at an in-camera meeting may be liable for damages to the Municipality.

7.3 Quorum and Decision-Making

WEST HANTS REGIONAL MUNICIPALITY
AUDIT COMMITTEE TERMS OF REFERENCE

A quorum consists of three (3) voting members of the Committee, one (1) of which must be a Councillor and one (1) must be a Member of the Public. Each Committee member is entitled to one vote and decisions will be by majority vote of those present. In the absence of the Chair of the Committee, the members will appoint one of the members of Council to act as Chair of the meeting.

In the event of a tie vote, the motion is defeated

7.2 Reporting

The Committee will report to Council.

8. Communications

The Committee members will maintain direct, open and frank communications with each other, management, Council, the external auditor and other advisors as appropriate, during meetings. Communications may be done outside of meetings with each other, management, Council, or as assigned, in person at meetings by phone or in writing which includes email. Notice of meetings will be communication through email.

9. Related Policies, Procedures and Legislation

RCOGE-003.00 Meeting and Committee Procedural Policy
RCOHR-002.00 Code of Conduct For Elected Municipal Officials Policy
RCOHR-001.00 Council Remuneration Policy
RCOFN-006.00 Expense Policy

Approved by: ______________________________
Abraham Zebian, Committee Chair

Adoption	
Notice to Council:	Not Applicable
Approval:	July 22, 2020
Description: Initial approval of the Audit Committee Terms of Reference, identified as RADFN-002.04.	

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.

Source: Municipal Government Act 2025