



2023 Audit Findings Report to the Council

April 25, 2023



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Introductions



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Agenda

- 1) Audit Objective And Responsibilities
- 2) Audit Strategy and Areas of Emphasis
- 3) Audit Status
- 4) Audit Findings
- 5) Adjusted and Unadjusted Differences
- 6) Auditor Independence

Administrative Items

- Ask questions any time
- If we can not answer directly, we will add to a list and address later or after the presentation

Audit Objective and Responsibilities



Audit Objective

To report on the fair presentation of the financial statements prepared in accordance with Canadian public sector accounting standards.

Mayor and Council

Review and approve the financial statements

Oversight of Management and the County

Creation and maintenance of a culture of honest and ethics



Administration

Preparation and fair presentation of the financial statements

Establishment and maintenance of policies, financial reporting systems, and controls



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Conduct our audit of the County, in accordance with Canadian Auditing Standards, and provide our report



Audit Strategy



Audit Plan

- The overall audit strategy was consistent with the plan outlined to Council on November 11, 2023.
- Minor reductions in risk assessment for:
 - Asset retirement obligations
 - Tangible capital asset
 - Post retirement benefits



Final materiality

- \$6,000,000 compared to planned materiality of \$4,500,000

Areas of Audit Emphasis

Management override of internal controls

- Risk of manipulation of financial transactions for budget management or other purposes
- To respond to the overall risk of material misstatement due to fraud regarding management's override of controls, we performed the following procedures:
 - 1. Tested the appropriateness of journal entries recorded in the general ledger made in the preparation of the financial statements.
 - 2. Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represented a risk of material misstatement due to fraud.
 - 3. Evaluated the rationale behind significant transactions that were not in the normal course of business and whether they had been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.
- No issues noted.

Deferred revenue, government transfers, and restricted contributions

- Revenue recognition could be manipulated
- Agreed funding received to agreements and other supporting documentation available.
- Tested expenses applicable to the deferred revenue at the highest risk factor and ensured that they are eligible.
- No issues noted.

Areas of Audit Emphasis

Investments

- New public sector accounting standards were effective for the year. These new standards resulted in a change in the accounting and presentation of certain investment balances requiring some investments with quoted market pricing to be marked to market and reported at fair market value.
- Due to the significant rise in interest rates, the valuation of investments may require more complex calculations or estimation
- Investment balances were vouched to third party statements and carrying values were compared to fair market value to assess for possible impairment. Bond values were also recalculated on a sample basis to ensure the accuracy.
- No significant issues noted.

Areas of Audit Emphasis: Journal Entry Testing

- Journal entry testing is a key audit step in addressing the risk of fraud
- MNP now utilizes a ground-breaking platform, Mindbridge Ai, in the completion of journal entry testing
- Mindbridge Ai identifies unusual transactions by also looking at the monetary flows between accounts
- 8 entries flagged for testing, with no issues identified



MindBridgeTM

Audit Status



We have completed our audit, and upon approval of the financial statements, are prepared to sign our report



Our report will provide an unqualified opinion to the Mayor and Council of the County

Significant Adjusted Differences

One significant adjustment was proposed and recorded by management.

Significant Unadjusted Differences

There were no unadjusted differences identified.

Operational Considerations

Matters Identified during December 31, 2023, Audit

Matter	OBSERVATION	IMPACT & RECOMMENDATION	MANAGEMENT'S RESPONSE
Amortization expense	During audit procedures, it was identified that the salvage value of some assets was not being incorporated into the depreciation calculation.	<p>Excluding the salvage value can result in a overstatement of depreciation expense and an understatement of tangible capital assets.</p> <p>We recommend that the depreciation calculations be reviewed to ensure that salvage values are included in all depreciation calculations.</p>	<p>We appreciate the thoroughness of your audit procedures and the identification of the issue regarding the calculation of depreciation for assets with salvage values. We understand the importance of accurate financial reporting and acknowledge the risk associated. Management will ensure that a review of the system parameters takes place to identify and rectify the issue causing the failure to recognize salvage values in depreciation calculations in addition to establishing an outside system reconciliation to ensure accuracy and reliability of depreciation calculations before recording. This reconciliation process will involve a thorough review of the depreciation calculations against established parameters and historical data to identify any discrepancies.</p>

Operational Considerations

Matters Identified during December 31, 2023, Audit

Matter	OBSERVATION	IMPACT & RECOMMENDATION	MANAGEMENT'S RESPONSE
Recognition of Contributed Tangible Capital Assets	During audit procedures, it was identified that contributed tangible capital assets were not recorded when the Final Acceptance Certificate (FAC) had been issued in the prior year.	<p>Unrecorded contributed tangible capital assets understates the net book value of tangible capital assets and accumulated surplus of the County.</p> <p>We recommend that management reviews all issued Construction Completion Certificates (CCC) and Final Acceptance Certificates (FAC) to identify contributed tangible capital assets. Once identified, management should review and approve the associated adjusting journal entry, recorded in accordance with the County's accounting policy and public sector accounting standards.</p>	Thank you for providing us with your recommendation regarding the review and approval process for adjusting journal entries related to contributed tangible capital assets identified through Construction Completion Certificates (CCC) and Final Acceptance Certificates (FAC). Management will work with the respective departments to review and update necessary procedures to ensure that all contributed assets are identified and recorded accurately within the financial year end processes.

Prior Year Control and Operational Considerations

Matters Identified during December 31, 2022, Audit

Matter	OBSERVATION	PROCESS CHANGE IMPLEMENTED	MNP COMMENTS
Retirement Benefit Liability	The quantity, magnitude, and complexity of management assumptions used to develop the scope of the retirement benefit liability are subject to estimation uncertainty.	Management obtained an 3 rd party actuarial assessment of the post-retirement obligations and adjusted the balances according to the experts estimates.	The process was implemented as suggested and all associated accounting changes were appropriately addressed.
Manual journal entry approval	The accounting system allows the same individual to create and post manual journal entries.	All journal entries generated are reviewed and approved by an authorized member of management prior to posting in the accounting records	The process was implemented as identified in the prior year.
We commend management on the effort and implementation to address our recommendations from the prior year!			

Auditor Independence



We confirm that we are independent of the County



Our letter discussing our independence has been provided to Management

Conclusion



Thank you to the
entire County



Questions

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