

AUDIT FINDINGS REPORT

Presented to the Corporation of the
Municipality of East Ferris

Prepared by Baker Tilly SNT
October 27, 2020



PURPOSE OF THE REPORT

We have been engaged to express an audit opinion on the consolidated financial statements of the Corporation of the Municipality of East Ferris ("the Municipality") for the year ended December 31, 2019. We have substantially completed our audit and are pleased to report our findings to date.

The purpose of this report is to summarize certain aspects of the audit that we believe to be of interest to the members of Council. This report should be read in conjunction with the draft consolidated financial statements and our audit report thereon.

We have received full cooperation during the course of our audit and unrestricted access to all documents, books and records. We did not encounter any significant difficulties during the audit.

This report is intended for use by the Council only.



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RESPONSIBILITIES

AUDITOR

Express an opinion on whether the consolidated financial statements present fairly, in all material respects, the consolidated financial position and its consolidated financial performance and its consolidated cash flow for the year in accordance with Canadian Public Sector Accounting Standards.

Perform the audit in accordance with Canadian generally accepted auditing standards.

COUNCIL

Act as an objective, independent liaison between the auditor and management.

Assist in the planning process when appropriate.

MANAGEMENT

Ensure consolidated financial statements are prepared and presented in accordance with Canadian Public Sector Accounting Standards.

Ensure completeness of information with regards to financial records and data and provide information on non-compliance, illegal acts, related party transactions.

RESPONSIBILITIES (CONT'D)

AUDITOR

Assess risk that the consolidated financial statements may contain material misstatements that, individually or in the aggregate are material to the consolidated financial statements as a whole.

Assessing the accounting policies used and their application.

COUNCIL

Meet with the auditor prior to the release and approval of the audited consolidated financial statements to review the audit, disclosure and compliance issues.

Review selection of accounting policies.

MANAGEMENT

Ensure proper controls are in place to prevent and detect fraud and error, assess risk and provide information on any fraud or suspected fraud.

Ensure proper recognition, measurement and disclosure for selection of accounting policies, significant assumptions, future plans, related party transactions, any claims and possible claims and contingent gains and losses.

RESPONSIBILITIES (CONT'D)

AUDITOR

Assessing the significant estimates made by management.

Examine on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements.

COUNCIL

Review and approve draft consolidated financial statements.

Advise auditor of any issues of disclosure, governance, fraud or illegal acts.

MANAGEMENT

Provide a written confirmation of significant representations to the auditor.



INITIAL PLANNING

- Assess and respond to engagement risk
- Assessment of audit management process
- Enhance understanding of the Municipality and accounting processes
- Determine planning materiality
- Perform walkthroughs
- Establish an overall audit strategy



DEVELOP THE AUDIT PLAN

- Assess risk at account balance and potential error levels
- Plan use of working papers
- Plan substantive and control tests



EXECUTE THE AUDIT PLAN

- Perform substantive and control tests including sampling techniques facilitated with the use of ActiveData and TeamMate Analytics
- Review completion documents and working papers for areas with significant or high risk



REPORT & ASSESS PERFORMANCE

- Obtain management representations
- Complete engagement reporting
- Issue audit report and management letter
- Summarize audit results
- Assess engagement quality



OUR AUDIT APPROACH

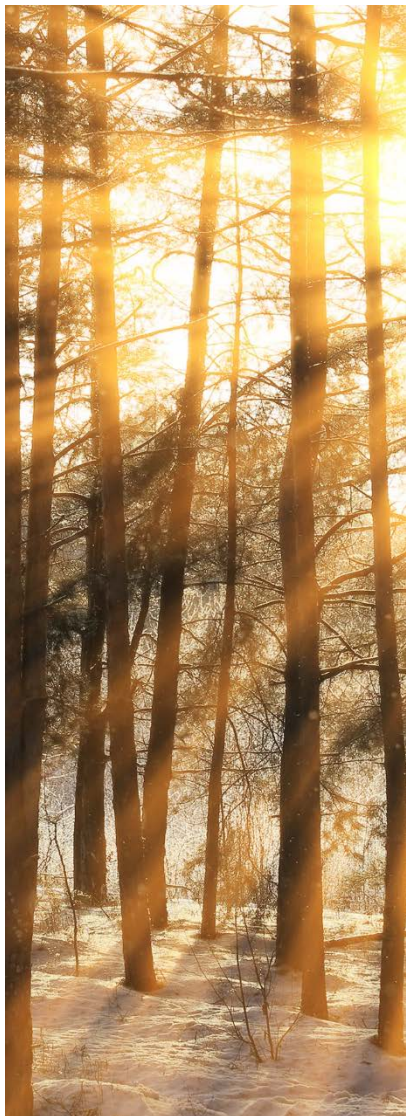
We determined, based on our understanding of internal controls, that reliance can be placed on the system of internal controls. We tested the operating effectiveness of controls in the purchases audit cycle.

We adopted a combined approach for the audit.

| AUDIT RISKS & RESULTS

There were no significant audit risks identified.

SIGNIFICANT FINDINGS FROM THE AUDIT



Audit Opinion

The Independent Auditor's Report will be issued without modification.

Accounting Policies

No new accounting policies were adopted in the current year.

Key Estimates

Key estimates in the consolidated financial statements include:

- Landfill closure and post-closure costs;
- Useful life of tangible capital assets and related amortization; and
- Employee future benefits.

MATERIALITY

Materiality is the term used to describe the significance of financial statement information to decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision. Materiality is a matter of professional judgement in the particular circumstances.

FACTORS	COMMENTS	AMOUNT
Basis for calculation	Total expenditures before consolidation entries.	\$8,657,812
Factor Used	Upper end of the range accepted by Canadian Auditing Standards.	3.00%
Overall Materiality	Level at which misstatements individually or in aggregate would affect the decisions of the users of the consolidated financial statements.	\$260,000
Performance Materiality	Amount that is used when determining the extent of substantive testing.	\$221,000 (85%)
Trivial Error Threshold	Matters identified during the audit, which are trivial.	\$13,000 (5%)



MISSTATEMENTS

Misstatements are categorized as corrected audit misstatements and uncorrected audit misstatements. These include disclosure deficiencies, as well.

Significant Misstatements

We did not identify any uncorrected misstatements during the course of our audit.



INDEPENDENCE

Canadian auditing standards require us to confirm our independence with Council and those responsible with governance.

To our knowledge, Baker Tilly SNT has no independence issues in the following areas:

- Holding a financial interest, either directly or indirectly, in the Municipality;
- Holding a position, either directly or indirectly, that gives the right of responsibility to exert significant influence over the financial or account policies of the Municipality;
- Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with the Municipality;
- Economic dependence on the Municipality; and
- Provision of services in addition to the audit engagement.

OTHER MATTERS

Related party transactions

All related party transactions are disclosed in the notes to the consolidated financial statements.

Significant unusual transactions

No significant transactions were entered into by the Municipality that you should be aware of.

Significant matters discussed with management

There were no significant matters arising from the audit discussed with management and no disagreements.

Internal control recommendations and management letter

We will be issuing a management letter to follow up on the status of deficiencies in internal control identified in previous years.

No instances of illegal acts, fraud, intentional misstatements or errors were noted during the audit.

No instances of non-compliance of laws and regulation were identified during our audit.

Written representations requested from management

We request that management prepare a letter to us reaffirming various representations that were provided to us and we have relied upon.



CONCLUSION

We are ready to release the consolidated financial statements subject to completion of the following:

- Receipt of signed management representation letter;
- Completing our discussion with Council; and
- Receipt of evidence of Council approval of the consolidated financial statements.

KEY DELIVERABLES

KEY DELIVERABLES	EXPECTED DATE
Present draft consolidated financial statements to Council.	October 27, 2020
Issue audited consolidated financial statements.	October 30, 2020

A close-up photograph of a tree trunk cross-section, showing concentric growth rings and a textured, cracked wood surface in warm brown tones.

THANK YOU

We would like to take this opportunity to note our appreciation to management and administrative personnel for their cooperation and assistance.

We welcome any feedback on our performance as we strive to continually improve our service.

Assurance

When you're facing a changing global economy, it's important to have someone next to you who will help navigate through the evolving accounting standards and changing regulatory environment.

- Entrepreneurial
- Audit and Accounting
- Private Enterprise
- Public Markets

Advisory

Across our advisory service lines, we get to the essence of value drivers, so clients can realize optimal value and achieve their business objectives.

- Organizational Effectiveness & Productivity
- Operational Performance Reviews
- Business Development
- Social Enterprise Development
- Project Management
- Corporate and Organizational Governance
- Human Resources
- Financial and Risk Management
- Government Funding Applications
- Succession Planning
- Marketing and Client Strategy



**Local insight meets
global reach**

4
offices

14
partners

90
professionals

IT

Navigating through the maze of information technology needs and business optimization planning is a challenge to most businesses in today's evolving world.

- Security and Data Protection
- Network Assessment
- Infrastructure Recommendations and Implementation
- Backup Solutions

Transaction

Whether you are a buyer or a seller, knowledge is power and decisive action begins with clarity.

- Mergers and Acquisitions
- Capital Raising
- Transaction Support
- Valuations
- Corporate Finance
- Restructuring and Recovery

Tax

Our Tax Services are designed to meet your business tax compliance and consulting needs.

- Tax Advisory
- Indirect Tax
- Transfer Pricing
- Cross Border & International
- SR&ED
- Personal and Corporate Tax Compliance
- Tax Minimizing Strategies
- Corporate Reorganizations
- Tax Dispute Resolution

Now, for tomorrow