
HALDIMAND COUNTY

Memorandum FIN-M01-2022 Financial Audit Findings Letter for 2020 For Consideration by Council in Committee on May 10, 2022



To: Mayor Hewitt and Members of Council
From: Mark Merritt, General Manager, Financial & Data Services

Pursuant to the Municipal Act, the County must appoint an auditor that annually audits the accounts and financial transactions of the municipality and its local boards, in order to express an opinion on the financial statements of these bodies. At the May 10, 2022 Council-in-Committee meeting, the County's auditor, Millard, Rouse & Rosebrugh LLP, will be presenting the 2020 Audited Financial Statements.

The auditor must perform their audit of the County's accounts and transactions in accordance with Generally Accepted Auditing Standards (GAAS). These standards require the auditors, at the conclusion of each audit, to issue an "Audit Findings Letter" to Council. Traditionally known as an Auditor's Management Letter, the purpose of this letter is to disclose to the organization's management team any accounting irregularities or other internal controls that, although they did not prevent the auditor from issuing an opinion on the audited statements, could help improve internal reporting systems.

Upon completion of the audit of the Consolidated Financial Statements and the Trust Funds for the Corporation of Haldimand County, for the year ending December 31, 2020, the requisite "Audit Findings Letters" were received by County staff, dated May 11, 2022. These letters are attached for Council's information (Attachment #1). GAAS requires the auditors to comment on the following areas: evaluation of internal controls, significant accounting principles, significant unusual transactions, accounting estimates, disagreements with management, issues identified and difficulties encountered during the audit.

The intent of this memo is to communicate staff's response to the findings, as outlined by the auditor. As indicated by the attached letter, there were no unusual findings in any of the above noted areas, with the following recommended as improvements to the County's processes:

1. Significant Risks – Revenue Recognition:

***Auditor's comments:** "Presume a risk of material misstatement due to fraud related revenue recognition and evaluate which types of revenue, revenue transactions or assertions give rise to such risks. We performed a walkthrough of management's process for recognising revenue and performed the design and implementation of controls on the revenue recognition system. We also performed test of details on revenue specially surrounding the year end period to ensure that correct cut-off is considered on their recognition. Further, for completeness of donation income, we tested in detail the donation income to underlying records and bank."*

Management Response: Staff will continue to be diligent in the review of revenue recognition principles and process to ensure completeness of revenue is maintained.

2. Significant Risks – Management override of controls:

***Auditor's comments:** "Presumed risk of material misstatement due to fraud related to management override of controls. We discussed fraud with management and asked for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting the Corporation and their role in*

the oversight of management's antifraud programs. We tested a sample of journal entries made throughout the period, and adjustments made at the end of the period. We evaluated the business rationale for any significant unusual transactions. We determined whether the judgments and decisions related to management estimates indicate a possible bias, which included performing retrospective analysis of significant accounting estimates"

Management Response: Staff will continue to monitor the County's internal controls to ensure proper protocols and processes are in place to mitigate and protect the County from fraudulent activity.

There were no other unusual findings noted by the auditors.

Attachments:

1. Millard, Rouse & Rosebrugh – Audit Findings Letters, dated May 10, 2022