
HALDIMAND COUNTY

Memorandum FIN-M02-2023 Financial Audit Findings Letter for 2022 For Consideration by Council in Committee on August 29, 2023



To: Mayor Bentley 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 August 29, 2023 Council-in-Committee meeting, the County's auditor, Millard, Rouse & Rosebrugh LLP, will be presenting the 2022 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, 2022, the requisite "Audit Findings Letters" were received by County staff, dated August 29, 2023. 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 notes related to the County's processes, including forthcoming changes to accounting policies:

1. Accounting Policies

Auditor's comments: *"We did not identify any significant policies in controversial or emerging areas other than the following..."*

- *Financial Instruments, Section PS 3450 – effective for fiscal years beginning on or after April 1, 2022*
- *Asset Retirement Obligations, Section PS 3280 – effective for fiscal years beginning on or after April 1, 2022."*

Management Response: Staff are aware of these upcoming changes to the above noted accounting policies and have begun work to ensure compliance with the relevant standards. These changes will be incorporated in the County's 2023 Financial Statements.

2. Significant Risks – Revenue Recognition:

Auditor's comments: "Under Canadian General Accepted Auditing Standards we are required to evaluate the risk of fraud in revenue recognition. We have evaluated the design and implementation of controls along with substantive procedures on revenue addressing the risk. We concluded that the internal controls were designed and implemented appropriately. We have obtained sufficient audit evidence to conclude that there were no material misstatements for presumed fraud risk of revenue.

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

3. Significant Risks – Management override of controls:

Auditor's comments: "Under Canadian General Accepted Auditing Standards we are also required to evaluate the presumed risk of material misstatement due to fraud related to management override of controls. We did fraud-related inquiries, performed tests of journal entries to identify any significant unusual transactions, and evaluated business rationale for related party transactions, significant judgements and management estimates to identify any possible bias.

We have obtained sufficient audit evidence to conclude that there were no material misstatements based on our audit tests for management override of controls."

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.

4. Uncorrected Misstatements – Trusts

Auditor's comments:

#	Nature of uncorrected misstatement	Effect on the financial statements	Management's reason for not correcting
1	Unrecorded cash transactions and petty cash difference in Comfort Trust	Overstatement of Comfort Trust Cash and understatement of Due from Haldimand County	Management is aware of the issue and has steps and processes in place to resolve issue in fiscal 2023.

Management Response: Staff have identified process changes to improve existing processes and are actively working to ensure any existing issues are corrected and prevented from occurring on a go-forward basis.

There were no other unusual findings noted by the auditors.

REFERENCES:

None

ATTACHMENTS:

1. Millard, Rouse & Rosebrugh – Audit Findings Letter, dated August 29, 2023