



Corporation of the Township of Edwardsburgh/Cardinal

2020 Audit Findings

Report to Council

December 31, 2020

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OVERVIEW

We are pleased to submit to you this Audit Findings Report (the "Report") for discussion of our audit of the consolidated financial statements of Corporation of the Township of Edwardsburgh/Cardinal and the Library Board (the "Township") as at December 31, 2020 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of Council.

As auditors, we report to the Council on the results of our examination of the consolidated financial statements of the Township as at and for the year ended December 31, 2020. The purpose of this Report is to assist you, as members of Council, in your review of the results of our audit.

This Report is intended solely for the information and use of Council and management and should not be distributed to or used by any other parties than these specified parties.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

ENGAGEMENT STATUS

We have completed our audit of the consolidated financial statements of the Township which has been carried out in accordance with Canadian generally accepted auditing standards and are prepared to sign our Independent Auditor's Report subsequent to completion of the following procedures:

- Receipt of the remaining outstanding legal confirmations;
- Receipt of the signed management representation letter;
- Council's review and approval of the consolidated financial statements.

No significant limitations were placed on the scope or timing of our audit.

INDEPENDENT AUDITOR'S REPORT



We expect to have the above procedures completed and to release our Independent Auditor's Report on May 25, 2021.








Unless unforeseen complications arise, our Independent Auditor's Report will provide an unmodified opinion to the Council of the Township. A draft copy of our proposed Independent Auditor's Report has been included with this report. The matters disclosed in the Independent Auditor's Report are discussed further in the relevant sections of the Report.

AUDIT REPORTING MATTERS

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the consolidated financial statements considered separately.

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

AREA	COMMENTS
 CHANGES FROM AUDIT SERVICE PLAN	There were no deviations from the Audit Service Plan previously presented to you.
 FINAL MATERIALITY	<p>Final materiality used for our audit of the Township was \$450,000 for December 31, 2020, and \$225,000 for December 31, 2019.</p> <p>Final materiality used for the Library Board was \$5,000 for December 31, 2020, and \$5,000 for December 31, 2019.</p>

AREA	COMMENTS
 IDENTIFIED OR SUSPECTED FRAUD	<p>While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.</p>
 IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS	<p>Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the consolidated financial statements.</p>
 MATTERS ARISING IN CONNECTION WITH RELATED PARTIES	<p>No significant matters arose during the course of our audit in connection with related parties of the Township.</p>
 AUDITOR'S VIEWS OF SIGNIFICANT ACCOUNTING PRACTICES, ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES	<p>The application of Canadian public sector accounting standards allows and requires the Township to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.</p> <p>As auditors, we are uniquely positioned to provide open and objective feedback regarding your Township's accounting practices.</p> <p>The accounting policies used by the Township are appropriate and have been consistently applied.</p> <p>The most significant estimate relates to the closure and post-closure liability. This has been determined by a specialist in 2016 and has been reduced over the years by actual amounts spent. There has been no change in circumstances in the year that would result in a change in estimate made. The estimate and related expense are properly disclosed in the financial statements.</p>
 FINANCIAL STATEMENT DISCLOSURES	<p>The disclosures made in the notes to the consolidated financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the consolidated financial statements.</p>
 SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL	<p>While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency we have not detected significant deficiencies in internal controls.</p>
 MATTERS ARISING FROM DISCUSSIONS WITH MANAGEMENT	<p>There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.</p>

SIGNIFICANT RISK AREAS AND RESPONSES

SIGNIFICANT RISK AREA	RESPONSE AND CONCLUSION
Expenses and payables Expenses could be recorded in the wrong period	Test cut-off at low threshold before and after year end
Revenue and receivables Revenues could be recorded in the wrong period	Test cut-off at low threshold before and after year end

OTHER AREAS

AREA	COMMENTS
AUDITOR INDEPENDENCE	We confirm to Council that we are independent of the Township. Our letter to Council discussing our independence is included as part of the additional materials attached to this report.
MANAGEMENT REPRESENTATIONS	We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit. This letter, provided by management, has been included as additional material to this report.
SUMMARY OF SIGNIFICANT DIFFERENCES	Some significant differences were proposed to management with respect to the December 31, 2020 consolidated financial statements. A summary of significant differences has been included with this report.
COVID19	<p>The current pandemic has impacted many business and individuals in North America and across the world. While the Municipality's main revenue of collecting taxes might not be directly impacted, the slow down of business and the self isolation and loss of jobs of individuals could have significant impact on future demand of other services and on the collectability of receivables as at the year end and future years.</p> <p>We have discussed with management and the possible impact on collectability of receivables, impairment of tangible capital assets or employment layoff as well as any changes in controls and operations processes due to the pandemic.</p> <p>The severity of the impact cannot be determined given the uncertainty around the length of the pandemic and any future government legislations that could further intensify the lockdown.</p>

We appreciate having the opportunity to meet with you and respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,

A handwritten signature in black ink that reads "MNP LLP". The letters are stylized and connected, with a cursive-like flow.

**Chartered Professional Accountants
Licensed Public Accountants**

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APPENDIX A - SUMMARY OF SIGNIFICANT DIFFERENCES

Description of Differences	Proposed Adjustments DR (CR)				
	EARNINGS		BALANCE SHEET		
	Identified	Likely Aggregate	ASSETS	LIABILITIES	EQUITY
To adjust TCA per clients schedule	\$ -	\$ -	\$ 701,696	\$ -	\$ (701,696)
To adjust for principal payment made.	\$ -	\$ -	\$ (7,362)	\$ 7,362	\$ -
To adjust due to/from reserves	\$ -	\$ -	\$ -	\$ -	\$ -
To reverse duplicate entry posted by the client.	\$ (2,325)	\$ (2,325)	\$ (302)	\$ 2,627	\$ (2,325)
To adjust opening investments and record equity pick up	\$ (3,604,528)	\$ (3,604,528)	\$ 3,604,632	\$ -	\$ (3,604,632)
To close water & Sewer surplus/deficit	\$ 168,256	\$ 168,256	\$ -	\$ -	\$ -
To record equity pick up of RSL	\$ (27,022)	\$ (27,022)	\$ 27,022	\$ -	\$ (27,022)
To close surplus for the year	\$ -	\$ -	\$ -	\$ -	\$ -
To reallocate per client	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ (3,465,619)	\$ (3,465,619)	\$ 4,325,686	\$ 9,989	\$ (4,335,675)
Differences corrected by management	\$ (3,465,619)	\$ (3,465,619)	\$ 4,325,686	\$ 9,989	\$ (4,335,675)
Total differences net of corrections	\$ -	\$ -	\$ -	\$ -	\$ -
Uncorrected opening differences	\$ -	\$ -	\$ -	\$ -	\$ -

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Description of Differences	Proposed Adjustments DR (CR)				
	EARNINGS		BALANCE SHEET		
	Identified	Likely Aggregate	ASSETS	LIABILITIES	EQUITY
Current period differences	\$ -	\$ -	\$ -	\$ -	\$ -
Final overall materiality	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000
Excess (shortfall)	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000

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