

February ??, 2022

MNP LLP

709 Cotton Mill Street,
Cornwall, ON
K6H 7K7

Attn: Ian Murphy

**Re: Township of Edwardsburgh Cardinal
Audit Planning for Year Ended December 31, 2021**

Dear Sir:

This will acknowledge receipt of your audit planning letter of November 22, 2021.

As you know Council, as the elected representatives of the taxpayers, holds the ultimate responsibility for the financial position of the Township and therefore should have a significant role in the oversight of the audit plan and its execution.

Your letter of November 22, 2021 was circulated to the Administration & Finance Committee of Whole Meeting on January 10, 2022 for discussion and Council authorized the preparation and signing of the response letter at their regular meeting of January 24, 2022.

In response to your two questions, the council responds as follows:

Question 1

What oversight, if any, do you provide over Administration's processes for identifying and responding to fraud risks? Administration's processes could include policies, procedures, and programs or controls that serve to prevent, detect and defer fraud.

1. Detailed discussion of budget estimates
2. Formal budget approval of final budget
3. Quarterly review of the Departmental Operational budget to actual progress
4. Quarterly review of the Budget to Actual Capital Project costs
5. Quarterly review of the overall Financial Position in Balance Sheet format but without supporting documentation.
6. Council approval of the Disbursement Sheet Listing of all cheques issued,

with sample testing of payee bona fides.

Council has not reviewed Township administration's processes for identifying and responding to fraud risks and hereby requests that the Audit process include sample testing of payroll payments not seen or reviewed by Council and sample testing of the electronic transfer payments

Question 2

Do you have any knowledge of any actual, suspected or alleged fraud, including misappropriation of assets or manipulation of the financial statements, affecting the entity? If so, please provide details and how the fraud or allegations of fraud were addressed.

Answer:

1. Council has no knowledge of any actual, suspected or alleged fraudulent activity including any possible misappropriation of assets or manipulation of the financial statements. Council has not reviewed the financial statements prepared by management prior to their submission to the auditor for audit purposes.
2. Council does acknowledge that such risks do exist and we rely on the annual external audit to test for such risks in sample areas where your experience deems most appropriate. Any finding of such fraudulent activity should be reported immediately to the governing body through the Mayor who acts as the CEO of the Municipality under the authority of the Ontario Municipal Act, Section 226.1.

Please allow me to bring another matter to your attention. As in previous years Council will expect to receive an audit opinion on the financial affairs of the Township prior to the preparation of the Consolidated Financial Statement. The Library Board and the Port of Johnstown each prepare and submit separate Financial Statements for audit opinion.

Council looks forward to meeting with the Auditor prior to the presentation of the Auditor's Report at a public Council meeting to be arranged upon completion of your work.

Yours Truly,

Pat Sayeau, Mayor
Township of Edwardsburgh Cardinal