



Beaver County

2020 Audit Findings
Report to Council
December 31, 2020

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April 21, 2021

Members of Council of Beaver County

Dear Gentlemen:

We are pleased to submit to you this report for discussion of our audit of the consolidated financial statements of Beaver County (the "County") 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.

We have completed our audit of the consolidated financial statements of the County which has been carried out in accordance with Canadian generally accepted auditing standards.

Unless unforeseen complications arise, our Independent Auditor's Report will provide an unmodified opinion to the Reeve and Council of the County.

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.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We would like to express our appreciation for the excellent cooperation we have received from management and employees with whom we worked.

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.

Sincerely,



Chartered Professional Accountants

MJW/mdm



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INTRODUCTION

As auditors, we report to the Reeve and Council on the results of our examination of the consolidated financial statements of Beaver County (the "County") as at and for the year ended December 31, 2020. The purpose of this Audit Findings Report is to assist you, as members of Council, in your review of the results of our audit. To facilitate in your understanding of our findings, Appendix A to this report summarizes our audit process.

Our report will discuss the status of our engagement, as well as communicate to you significant audit, accounting and reporting matters arising from our procedures. We hope that this report is of assistance to you, and we look forward to discussing our findings and answering your questions.

ENGAGEMENT STATUS

We have completed our audit of the consolidated financial statements of the County and are prepared to sign our Independent Auditor's Report subsequent to completion of the following procedures:

- Receipt of the signed management representation letter;
- Discussion of subsequent events with Council;
- Council's review and approval of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

We expect to have the above procedures completed and to release our Independent Auditor's Report on April 21, 2021.

Unless unforeseen complications arise, our Independent Auditor's Report will provide an unmodified opinion to the Reeve and Council of the County.

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

AUDIT AND REPORTING MATTERS

The following significant matters arose during the course of audit that we wish to bring to your attention.

AREA	COMMENTS
CHANGES FROM AUDIT SERVICE PLAN	There were no deviations from the Audit Service Plan previously presented to you.
FINAL MATERIALITY	<p>Materiality is a concept used to assess the significance of misstatements or omissions that are identified during the audit and is used to determine the level of audit testing that is carried out. The scope of our audit work is tailored to reflect the relative size of operations of the County, and is affected by our assessment of materiality and audit risk.</p> <p>Final materiality used for the audit was \$860,000 for December 31, 2020 and \$810,000 for December 31, 2019. Materiality for the group audit was \$1,160,000 for December 31, 2020 which includes Claystone Waste Limited Partnership.</p>
DIFFICULTIES ENCOUNTERED	No significant limitations were placed on the scope or timing of our audit.

AREA	COMMENTS
IDENTIFIED OR SUSPECTED FRAUD	<p>Due to the inherent limitations of an audit and the nature of fraud, including attempts at concealment through forgery or collusion, an audit conducted in accordance with Canadian generally accepted auditing standards cannot be relied upon to detect fraud.</p> <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 County.</p>
SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL	<p>Our audit process focuses on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment allows us to concentrate our audit procedures on high risk areas and, where possible, place reliance on controls within the financial reporting system to reduce the extent of our testing.</p> <p>It is important to note that our assessment was not, nor was it intended to be, sufficient to comment or conclude on the sufficiency of internal controls.</p> <p>We are required under Canadian generally accepted auditing standards to communicate all significant deficiencies identified during an audit to Council on a timely basis. However, we may not be aware of all significant deficiencies that do, in fact, exist.</p> <p>While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, no significant deficiencies in internal control have come to our attention.</p>
MATTERS ARISING FROM DISCUSSIONS WITH MANAGEMENT	<p>We would like to formally acknowledge the cooperation and assistance we received from the management and staff of the County.</p> <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 DIFFERENCES	<p>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 as Appendix B to this report.</p>

AREA	COMMENTS
<p>COVID-19 PANDEMIC</p>	<p>During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on all municipalities. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the County's business and financial condition.</p> <p>Our audit response in respect of COVID-19 included consideration of the following:</p> <ul style="list-style-type: none"> • Review with management to understand the impact of COVID-19 on the operations of the County; • Review with management to understand changes in controls and processes previously followed by the County; • Analyse management's assessment of going concern, including the existing and anticipated effect of COVID-19 on the County's activities; • Assess the impact of COVID-19 on accounting estimates, such as collectability of accounts receivable; • Obtain details from management with respect to workforce adjustments and the need for the accrual of termination benefits; • Discuss the impact of COVID-19 with Council and Senior Administration to gain perspective on any changes to risks, particularly with respect to fraud; • Analyse the impact of COVID-19 on audit risk assessment and revise as appropriate; and • Assess the need for significant and/or subsequent events disclosure in the financial statements.

AUDITOR'S VIEWS OF SIGNIFICANT ACCOUNTING PRACTICES

The application of Canadian public sector accounting standards allows and requires the County to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.

As auditors, we are uniquely positioned to provide open and objective feedback regarding your County's accounting practices, and have noted the following items during the course of our audit that we wish to bring to your attention.

AREA	COMMENTS
ACCOUNTING POLICIES	The accounting policies used by the County are appropriate and have been consistently applied.
ACCOUNTING ESTIMATES	<p>Gravel inventory and reclamation liability</p> <p>There are significant management estimates regarding gravel inventory and reclamation. We used engineering reports to verify gravel quantity and inputs for estimate of the reclamation liability.</p> <p>Amortization of tangible capital assets</p> <p>Tangible capital assets are amortized over the estimated life of the respected assets.</p> <p>Allowance for doubtful property taxes</p> <p>Management has made estimates regarding the collectibility of overdue property taxes. We used accounts in arrears from the property tax roll for the estimate of allowance of doubtful accounts.</p>
FINANCIAL STATEMENT DISCLOSURES	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.

SIGNIFICANT RISK AREAS AND RESPONSES

SIGNIFICANT RISK AREA	RESPONSE AND CONCLUSION
<p>Deferred revenue and restricted contributions</p> <p>Contributions received are subject to restrictions imposed by the contributors and can only be recognized when expenditures related to the restricted use have occurred.</p>	<p>Reviewed all grants and applications for use of grants. Determined if expenses were incurred relating to the grants to determine if revenue should be recognized or deferred.</p>
<p>Tangible capital assets (TCA)</p> <p>There may be tangible capital assets, contributed assets not recorded or tangible capital assets expensed.</p>	<p>Vouched significant additions and disposals for the year. Tested appropriate expense accounts to ensure classification between expense and capital is correct. Reviewed current year additions to ensure that the transactions are in compliance with TCA requirements.</p>
<p>Tangible capital assets (TCA)</p> <p>There may be estimates involved in determining the carrying value of TCA's.</p>	<p>Discussed impairment of Tangible Capital Assets with Management and corroborate discussions with Director of Public Works.</p>
<p>Gravel inventory</p> <p>The nature of the inventory is such that the quantity is difficult to visually inspect, weigh, measure, or count, or is subject to significant estimation. Gravel inventory calculations can be complex in nature.</p>	<p>Inventory count and valuation was performed by a third party.</p>
<p>Salaries and wages</p> <p>May have staff being over or underpaid.</p>	<p>Traced sample of transactions from the financial records and ensured that employees are being paid appropriately and that deductions are being properly withheld and remitted.</p>

OTHER MATTERS

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 under separate cover.

AUDITOR INDEPENDENCE

We confirm to Council that we are independent of the County. Our letter to Council discussing our independence is included under separate cover.

APPENDIX A – MNP AUDIT PROCESS

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.

Our audit process focused on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment enabled us to concentrate our audit procedures on the areas where differences were most likely to arise. Where possible, reliance was placed on the controls within these systems to reduce the extent of our testing of transactions and year-end balances. Our assessment was not, nor was it intended to be, sufficient to conclude on the effectiveness or efficiency of internal controls.

During the course of our audit, we have:

- Examined, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessed the accounting principles used and significant estimates made by management;
- Obtained an understanding of the County and its environment, including management internal controls (regardless of whether we relied on them for the purpose of the audit), sufficient to identify and assess the risks of material misstatement of the consolidated financial statements and to design and perform audit procedures;
- Reviewed and assessed those accounting systems deemed necessary to support our audit opinion;
- Evaluated the overall consolidated financial statement presentation;
- Performed a subsequent events review with management;
- Reviewed and assessed the status of contingencies, commitments and guarantees; and
- Reviewed and assessed exposure to environmental liabilities.

We have obtained written representations from management, included as additional materials following this report, in order to confirm oral representations given to us and reduce the possibility of misunderstanding. Specifically, we have obtained written confirmation of significant representations provided on matters that are:

- Directly related to items that are material, either individually or in the aggregate, to the consolidated financial statements;
- Not directly related to items that are material to the consolidated financial statements, but are significant, either individually or in the aggregate, to the engagement; and
- Matters relevant to management judgments or estimates that are material, either individually or in the aggregate, to the consolidated financial statements.

APPENDIX B – SUMMARY OF SIGNIFICANT DIFFERENCES

SIGNIFICANT ADJUSTED DIFFERENCES

A full list of all adjusted differences is available upon request.

SIGNIFICANT UNADJUSTED DIFFERENCES

During the course of our audit, we did not identify any significant unadjusted differences affecting the consolidated financial statements.

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