



Beaver County

2022 Audit Findings

Report to Reeve and Council

December 31, 2022

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Wherever business takes you

[MNP.ca](https://www.mnp.ca)

April 19, 2023

Members of Council Council of Beaver County

Dear Council Members:

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, 2022 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/sa

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Introduction

As auditors, we report to the Reeve and Council on the results of our examination of the financial statements of Beaver County (the "County") as at and for the year ended December 31, 2022. 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 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;
- Reeve and Council review and approval of the financial statements.

Independent Auditor's Report

We expect to have the above procedures completed and to release our Independent Auditor's Report on April 19, 2023.

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	<p>We previously presented our proposed Audit Service Plan to you on January 16, 2023. Over the course of our audit, the following deviation was made from this plan:</p> <ul style="list-style-type: none">• Materiality increased from \$1,160,000 to \$1,800,000.
Difficulties Encountered	<p>No significant limitations were placed on the scope or timing of our audit.</p>
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>

Area	Comments
<p>Significant Deficiencies in Internal Control</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, one significant deficiency in internal control has come to our attention.</p>
<p>Matters Arising from Discussions With Management</p>	<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>
<p>Significant Differences</p>	<p>A few significant differences were proposed to management with respect to the December 31, 2022 consolidated financial statements but there were no unadjusted differences in the year.</p>
<p>Final Materiality</p>	<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 our audit was \$1,800,000 for December 31, 2022 and \$1,160,000 for December 31, 2021.</p>

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 actual costs incurred to assess the 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.

Area	Comments
<p>Other Matters</p>	<p>As part of our current year audit approach, we have implemented the revisions to CAS 315 as required by the standard. The revised CAS 315 incorporates changes to establish more robust requirements and detailed guidance to assist auditors in performing appropriate risk assessment procedures corresponding to the size and nature of the entity. It also includes changes to enhance the application of professional skepticism in audits.</p> <p>With the support of your team, we have undertaken a robust risk assessment, including:</p> <ul style="list-style-type: none"> · Obtained a comprehensive understanding of the system of internal controls including the entity level controls, the transaction cycles, the inherent risks, as well as the control activities addressing the risks; · Evaluated the IT environment your business operates in, identified and assessed the IT risks and the general controls addressing such risks; and · Assessed the design and implementation of essential controls, either automated, manual, or general IT controls.

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 as additional material to this report.

Auditor Independence

We confirm to Council that we are independent of the County. Our letter to Council discussing our independence is included as part of the additional materials attached to this report.

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 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. 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 financial statements;
- Assessed the accounting principles used and significant estimates made by management;
- Obtained an understanding of the County and its environment, the applicable financial reporting framework and the County's system of internal control (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 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 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 financial statements;
- Not directly related to items that are material to the 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 financial statements.

Appendix B - Significant and Higher Risk Areas and Responses

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 based on our audit methodology. Review included determination if expenses were incurred relating to the grants to ensure that recognition of revenue is appropriate. No issues were noted.</p>

Higher Risk Areas and Responses

Higher Risk Area	Response and Conclusion
<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.</p>	<p>Valuation of inventory was substantively tested at a high-risk factor. Inventory count was performed by a third party. No issues were noted.</p>
<p>Tangible capital assets (TCA)</p> <p>There may be tangible capital assets or contributed assets not recorded or tangible capital assets expensed.</p> <p>There may be estimates involved in determining the carrying value of TCA's.</p>	<p>Vouched significant additions and disposals for the year to supporting documentation. Tested the appropriate expense accounts to ensure classification between expense and capital is correct.</p> <p>Re-calculated amortization to ensure alignment with the County's accounting policy. Discussions held with management related to potential impairment of assets, of which there was none identified. No issues were noted.</p>

Appendix B - Significant and Higher Risk Areas and Responses (continued from previous page)

<p>Salaries and wages</p> <p>May have staff being over or underpaid.</p>	<p>Traced sample of transactions to ensure that employees are being paid appropriately and that deductions are being properly withheld and remitted. No issues were noted.</p>
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Appendix C - Significant Deficiencies in Internal Controls

Description	Comments
<p>Approval of manual journal entries</p>	<p>Observation:</p> <p>During our audit procedures, it was identified that there were instances of manual journal entries with no physical evidence that the entry was reviewed and approved prior to posting.</p> <p>Impact:</p> <p>This could result in manual override of internal controls going undetected.</p> <p>Recommendation:</p> <p>Management should seek to implement an appropriate review documentation process. (IE: sign and date the proposed entry prior to posting to indicate that the review process as occurred).</p> <p>Management's Response:</p> <p>Management will look at implementing documentation regarding review manual journal entries</p>

Appendix D - Summary of Significant Differences

Significant Adjusted Differences

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

Management Representations

(See Attached)

April 19, 2023

MNP LLP
200 - 5019 49th Avenue
Leduc, Alberta T9E 6T5

To Whom It May Concern:

In connection with your audit of the consolidated financial statements of Beaver County (the "County") as at December 31, 2022 and for the year then ended, we hereby confirm to the best of our knowledge and belief, the following representations made to you during the course of your audit.

We understand that your audit was made in accordance with Canadian generally accepted auditing standards. Accordingly, the audit included an examination of the accounting system, controls and related data, and tests of the accounting records and such other auditing procedures as you considered necessary in the circumstances, for the purpose of expressing an opinion on the consolidated financial statements. We also understand that such an audit is not designed to identify, nor can it necessarily be expected to disclose, misstatements, non-compliance with laws and regulations, fraud or other irregularities, should there be any.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the consolidated financial statements would influence the decision of a reasonable person relying on the consolidated financial statements.

Consolidated Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 10, 2023, for the preparation and fair presentation of the County's consolidated financial statements in accordance with Canadian public sector accounting standards. We believe these consolidated financial statements are complete and present fairly, in all material respects, the financial position of the County as at December 31, 2022, and the results of its operations and its cash flows, in accordance with Canadian public sector accounting standards.
2. All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements, and are reported in the appropriate period.

3. We acknowledge that we are responsible for the accounting policies followed in the preparation of the County's consolidated financial statements. Significant accounting policies, and any related changes to significant accounting policies, are disclosed in the consolidated financial statements. The selection of accounting policies is appropriate in accordance with the requirements of Canadian public sector accounting standards, and are applied consistently throughout the consolidated financial statements.
4. All significant judgments made in making the accounting estimates have taken into account all relevant information of which we are aware.
5. The selection and application of the methods, assumptions and data used in making the accounting estimates are consistent and appropriate.
6. The assumptions relevant to accounting estimates and disclosures appropriately reflect our intent and ability to carry out specific courses of action on behalf of the County.
7. Disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and are reasonable in the context of Canadian public sector accounting standards.
8. No subsequent event requires adjustment to the accounting estimates and related disclosures included in the consolidated financial statements.
9. We are aware of and concur with the contents and results of the attached journal entries prepared by you, and accept responsibility for the financial statement effects of the entries.
10. We believe the effects of those uncorrected financial statement differences aggregated by you during the audit are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.
11. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
12. All events or transactions that have occurred subsequent to the statement of financial position and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed appropriately in the consolidated financial statements.
13. We further acknowledge the following items related specifically to COVID-19:
 - We have assessed the impact of COVID-19 on the County's operations and have provided you all information relevant to the impact it has had and/or is anticipated to have on the County's operations.
 - We have made available to you all source documentation requested, whether in original or scanned/electronic format. Where information has been provided in scanned/electronic format, it has been accurately reproduced.
 - All events or transactions that have occurred subsequent to the statement of financial position and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed appropriately in the consolidated financial statements.

14. All plans or intentions that may affect the carrying value or classification of assets and liabilities are appropriately reflected in the consolidated financial statements in accordance with Canadian public sector accounting standards.
15. All liabilities, both known and contingent, requiring recognition or disclosure in the consolidated financial statements in accordance with the requirements of Canadian public sector accounting standards have been adjusted or disclosed as appropriate.
16. All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the consolidated financial statements.
17. All assets, wherever located, to which the County had satisfactory title at the year-end, have been fairly stated and recorded in the financial statements. The assets are free from hypothecation, liens and encumbrances, except as noted in the financial statements. We have disclosed the nature and carrying amounts of any assets pledged as collateral. All assets of uncertain value, and restrictions imposed on assets, are appropriately reported in the financial statements.
18. All aspects of laws, regulations or contractual agreements, including non-compliance, are appropriately reflected in the consolidated financial statements.
19. All restricted cash has been appropriately designated and separated from operating funds.
20. All cash accounts have been appropriately recorded in the consolidated financial statements and all terms and associated conditions have been disclosed to you in full. We have provided you with the most current banking agreements.
21. Accounts and contributions receivable are correctly described in the records and represent valid claims as at December 31, 2022. An appropriate allowance has been made for losses from uncollectible accounts and for costs or expenses that may be incurred with respect to sales made or services rendered.
22. Inventory is correctly recorded in the consolidated financial statements in accordance with the requirements of Canadian public sector accounting standards. All required provisions for slow-moving, obsolete, and unsaleable stock have been recorded. Inventory does not include any goods on consignment to others or goods invoiced to customers.
23. All investments in government business enterprises, partnerships and business partnerships have been appropriately recorded in the consolidated financial statements in accordance with the accounting policies described in the notes thereto and the requirements of Canadian public sector accounting standards.
24. All charges to tangible capital assets represent capital expenditures. No expenditures of a capital nature were charged to operations of the County. Depreciation of property, plant and equipment has been recorded according to our best estimates of their useful lives. All events or circumstances giving rise to impairments are appropriately reflected in the consolidated financial statements.
25. Government transfers have been recognized when the transfer is authorized, and all eligibility criteria have been met.

26. All long-term debt has been appropriately recorded in the consolidated financial statements. All payments and accrued interest have been accounted for. The current portion of long-term debt is appropriately classified. All terms and conditions have been fully disclosed in the consolidated financial statements. We have provided you with the most current debt and financing agreements.
27. Employee future benefits have been appropriately recorded in the consolidated financial statements according to the requirements of Canadian public sector accounting standards.
28. Revenue has been recognized only where sales have been made and items delivered, or services rendered, and the amounts have been collected or are collectible. Revenues do not include any amounts arising from consignment sales or from any other transaction from which the County is not entitled to the proceeds.
29. We have identified all known or potential contaminated sites and the costs associated with the remediation of these sites have been appropriately accounted for and disclosed in the consolidated financial statements in accordance with Canadian public sector accounting standards.

Information Provided

1. We have responded fully to all inquiries made to us and have made available to you:
 - A complete record of all financial records that are relevant to the preparation and presentation of the consolidated financial statements and related data and minutes of the meetings of Council held throughout the year to the present date as well as summaries of recent meetings for which minutes have not yet been prepared;
 - Additional information that you have requested from us for the purpose of your audit;
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 2. We acknowledge management's responsibility for the design, implementation and operation of controls that have been designed to prevent and detect fraud.
 3. We have assessed the risk that the consolidated financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.
 4. Where the impact of any frauds or suspected frauds, and non-compliance or possible non-compliance with laws and regulations, has a material effect on the consolidated financial statements, we have disclosed to you all known significant facts relating thereto, including circumstances involving management, employees having significant roles over controls, and others. We have made known to you any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators and others. The effects of such events, if any, are properly presented in the consolidated financial statements.
 5. We have disclosed to you all deficiencies in the design or operation of internal controls over financial reporting of which we are aware.
 6. We have disclosed to you all aspects of laws, regulations or contractual agreements that may affect the consolidated financial statements, including non-compliance.
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7. We have disclosed to you the identities of all related parties to the County and all related party relationships and transactions of which we are aware.
8. The use of the going concern basis of accounting is appropriate and the County will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of business. We have provided you with appropriate and complete information about identified events or conditions that may cast significant doubt on the County's ability to continue as a going concern, and if required, our plans for future action and the feasibility of these plans.
9. We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.
10. The previous year's representation letter dated April 20, 2022 is still applicable to the prior year's financial statements and comparative, and no matters have arisen that require restatement of those financial statements and comparative.
11. There are no discussions with your firm's personnel regarding employment with the County.

Professional Services

1. We acknowledge the engagement letter dated January 10, 2023, which states the terms of reference regarding your professional services.
2. We are not aware of any reason why MNP LLP would not be considered independent for purposes of the County's audit.

Sincerely,

Beaver County

Signature

Chief Administrative Officer

Signature

General Manager of
Corporate Services

Independence Communication

(See Attached)

April 19, 2023

Reeve and Council
Beaver County
PO Box 140
5120 - 50 Street
Ryley, AB T0B 4A0

Dear Council Members:

We have been engaged to audit the consolidated financial statements of Beaver County (the "County") as at December 31, 2022 and for the year then ended.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the County and its related entities or persons in financial reporting oversight roles at the County and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body and applicable legislation, covering such matters as:

- (a) Holding a financial interest, either directly or indirectly, in a client;
- (b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are aware of the following relationships between the County and MNP that, in our professional judgment, may reasonably be thought to bear on our independence. The following relationships represent matters that have occurred from January 1, 2022 to April 19, 2023.

We have proposed adjusting journal entries during the audit. The risk has been mitigated by having all adjusting journal entries approved by management prior to posting.

We hereby confirm that MNP is independent with respect to the County within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta as of April 19, 2023.

The total fees charged to the County for audit services were \$55,150 (included in this amount is the 2022 interim invoices for \$20,000 and the LAPP audit of \$2,550) during the period from January 1, 2022 to April 19, 2023. This report is intended solely for the use of Council, management and others within the County and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you.

Sincerely,



Chartered Professional Accountants

BW/sa
encls.

MNP LLP

200 - 5019 49th Avenue, Leduc AB, T9E 6T5

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MADE ^{IN} CANADA

And proud of it!

At MNP we're proud to be the national accounting, consulting and tax firm that is 100% Made in Canada.

Our history defines who we are and our approach to business. Being a Canadian firm has helped shape our values, our collaborative approach, and the way we work with our clients, engaging them every step of the way.

We have a unique perspective. Our decisions are made here – decisions that drive Canadian business and help us all achieve success — and we know the impact that our choices have on the cities and towns we call home.

Throughout our six decades of work, we've seen our communities are more than just a place we do business in. They're a place where our families live, play, and thrive, and we work to make them the best places they can be.

Being 100% Canadian is something we wear proudly. This country provides us with great opportunities, and we're here to help our clients seize the opportunities so we can create a brighter future for the generations to come.



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