



Audit planning report

County of Northumberland

2023 Audit

Prepared by Baker Tilly KDN LLP

February 8, 2024





Purpose of the report

To Members of Council:

We have been engaged to express an audit opinion on the consolidated financial statements of the County of Northumberland ("the County") in accordance with Canadian Public Sector Accounting Standards for the year ended December 31, 2023, as outlined in our engagement letter dated February 8, 2024.

The purpose of this report is to communicate certain matters related to the planning of our audit that we believe to be of interest to you.

This report is confidential and is intended solely for the information and use of Council. No responsibility for loss or damages, if any, to any third party is accepted as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purposes.

Yours very truly,

Baker Tilly KDN LLP

Chartered Professional Accountants, Licensed Public Accountants

Per: Richard Steiginga, CPA, CA

**We look forward to discussing the contents of this report
and answering any questions you may have.**



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Overview and audit approach

Key audit dates

Interim testing – November 16-17, 2023

Year end testing – Mar 4-8, 2024

Audit approach

Our audit of the consolidated financial statements will be conducted under Canadian generally accepted auditing standards and is designed to obtain reasonable, rather than absolute, assurance as to whether the consolidated financial statements are free of material misstatement. We develop our audit approach based on the risk assessment and understanding of control systems design and implementation. Our risk assessment is based on our understanding of the County, Ontario municipal environment, ratepayer and vendor relationships, and analysis of financial information provided prior to the start of the audit.

Engagement team

The key individuals involved in the audit:

Richard Steiging, Engagement Partner – rsteiging@bakertilly.ca, (705) 742-3418 ext. 248

Duane Potter, Manager – decpotter@bakertilly.ca, (705) 742-3418 ext. 231

Audit plan

Our risk-based approach focuses on obtaining sufficient appropriate audit evidence to reduce the risk of material misstatement in the consolidated financial statements to an appropriately low level. This means that we will focus our audit work on areas that have a higher risk of being materially misstated.

Management is responsible for the accounting estimates included in the consolidated financial statements. Estimates and the related judgements and assumptions are based on management's knowledge of the business and past experience about current and future events.



Materiality

Materiality is the term used to describe the significance of financial statement information to decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision. Materiality is a matter of professional judgement in the particular circumstances.

Materiality will be used throughout the audit and in particular when:

- Identifying and assessing risk of material misstatement;
- Determining the nature, timing and extent of further audit procedures; and
- Evaluating the effect of uncorrected misstatements, if any, on the consolidated financial statements and in forming an opinion in the auditor's report.

We set our materiality at \$ 3,400,000 (2022 - \$3,300,000).

Materiality was calculated as a percentage of total revenue.

The base and percentage applied in the current year are consistent with those used in the prior audit.



Data analytics

We may integrate various automated tools and techniques throughout our audit, owing to our continuing dedication to enhancing the relevance and value of the audit process. By incorporating data analytics into our audit process, we are better able to identify potential risks around financial reporting, including fraud and error. Through the use of analytics, we are able to enhance the quality of our audits by relying less on sampling while reviewing complete data sets.

We're always looking for innovative ways to evolve our current practices to better equip our staff, improve your experience through the various audit phases and help support your business success.

Specific areas where we may choose to use these tools:

Planning and risk assessment

We may leverage data analytics tools to identify risk areas, unusual transactions and trends through an improved understanding of your operations and associated risks, including the risk of fraud. This allows us to more effectively design procedures to specifically target the identified risks.

Journal entry testing

We may leverage data analytics tools to identify transactions more susceptible to management override of controls by applying processes designed to analyze multiple criteria at once.

Identification of misstatements

By examining 100% of the items in certain populations, where deemed relevant, we are able to lower the risk of missing possible misstatements.

Two-way communication with your team

By gaining insight through our ability to analyze greater volume of transactions, we engage your team in focused discussions about your operations.

Reporting

Where deemed relevant, we will provide a summary of results obtained through application of various data analytics tools to you.



Other matters

Independence

We advise you that we are not aware of any relationships between the County and our firm that, in our professional judgement, may reasonably be thought to bear on our independence.

We confirm we are independent of the County.

Fraud Discussion

Our procedures with respect to fraud and illegal acts are outlined in **Appendix A**.

If you have any knowledge of actual, suspected or alleged fraud or illegal acts, we ask that you inform us.

Responsibilities

Refer to **Appendix A** for discussion on responsibilities.



Conclusion

Should any member of Council wish to discuss or review any matter addressed in this report or any other matters related to financial reporting, please do not hesitate to contact us at any time.

Are you aware of any frauds, illegal acts or management override of internal controls at the County?

Yes / No (please circle one)

If yes, please contact our office immediately.

Acknowledgement of Council:

We have read this report.

Name, Position

Signature

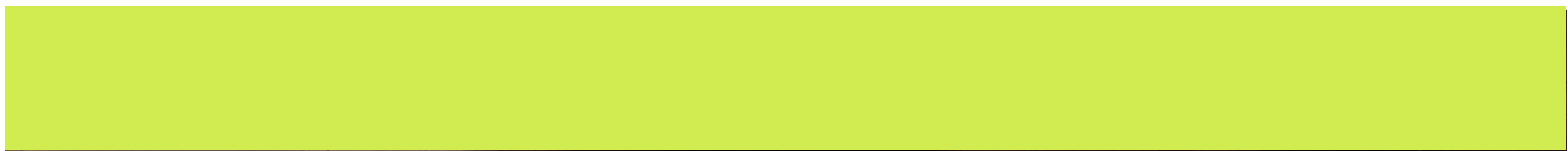
Name, Position

Signature



Appendices

Appendix A – Responsibilities





Appendix A – Responsibilities

Our responsibilities as auditor

As stated in the engagement letter, our responsibility as auditor of the County is to express an opinion on whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the County in accordance with Canadian Public Sector Accounting Standards.

An audit is performed to obtain reasonable but not absolute assurance as to whether the consolidated financial statements are free of material misstatement. Due to the inherent limitations of an audit, there is an unavoidable risk that some misstatements of the consolidated financial statements will not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed.

Our audit includes:

- Assessing the risk that the consolidated financial statements may contain material misstatements that, individually or in the aggregate, are material to the consolidated financial statements taken as a whole;
- Examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessing the accounting principles used, and their application;
- Assessing the significant estimates made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County's ability to continue as a going concern;
- Evaluating the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Our responsibilities as auditor (continued)

As part of our audit, we obtain a sufficient understanding of the operations and internal control structure of the County to plan the audit. This includes management's assessment of:

- The risk that the consolidated financial statements may be materially misstated as a result of fraud and error;
- The internal controls put in place by management to address such risks.

The engagement team undertakes a documented planning process prior to commencement of the audit to identify concerns, addresses independence considerations, assesses the engagement team requirements, and plans the audit work and timing.

An audit does not relieve management or those responsible for governance of their responsibilities for the preparation of the County's consolidated financial statements.

The firm maintains a system of quality management that supports the consistent performance of quality audit engagements.

Illegal acts, fraud, intentional misstatements and errors

Our auditing procedures, including tests of your accounting records, are limited to those considered necessary in the circumstances and will not necessarily disclose all illegal acts should any exist. Under Canadian Auditing Standards, we consider the County's control environment, governance structure, circumstances encountered during the audit and the potential likelihood of fraud and illegal acts occurring.

These procedures are not designed to test for fraudulent or illegal acts, nor will they necessarily detect such acts or recognize them as such, even if the effect on the consolidated financial statements is material. However, should we become aware that an illegal or possibly illegal act or act of fraud may have occurred, other than one considered clearly inconsequential, we will communicate directly to Council.

It is our responsibility to maintain professional skepticism throughout the audit. This recognizes the possibility that a material misstatement due to fraud could exist, notwithstanding our past experience of the honesty and integrity of the Municipality's management and Council.

It is management's responsibility to detect and prevent illegal action. If such acts are discovered or Council members become aware of circumstances under which the County may have been involved in fraudulent, illegal or regulatory non-compliance situations, such circumstances must be disclosed to us.

Related party transactions

During our audit, we conduct various tests and procedures to identify transactions considered to involve related parties. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management, directors and their immediate family members and companies with which these individuals have an economic interest.

Council member responsibilities

Council's role is to act in an objective, independent capacity as a liaison between the auditor and management to ensure the auditors have a facility to consider and discuss governance and audit issues with parties not directly responsible for operations. Council's responsibilities include:

- Being available to assist and provide direction in the audit planning process when and where appropriate;
- Meeting with the auditors as necessary and prior to release and approval of the consolidated financial statements to review audit, disclosure and compliance issues;
- Where necessary, reviewing matters raised by the auditor with appropriate levels of management, and reporting back to the auditors their findings;
- Making known to the auditor any issues of disclosure, corporate governance, fraud or illegal acts, non-compliance with laws or regulatory requirements that are known to them, where such matters may impact the consolidated financial statements or Independent Auditor's Report;
- Providing guidance and direction to the auditor on any additional work the auditor feels should be undertaken in response to issues raised or concerns expressed;
- Making such enquiries as appropriate into the findings of the auditor with respect to corporate governance, management conduct, cooperation, information flow and systems of internal controls;
- Reviewing the draft consolidated financial statements, including the presentation, disclosures and supporting notes and schedules for accuracy, completeness and appropriateness, and then approving them.

At the end of our audit, we are required to evaluate, as part of our audit, whether the two-way communication between us and Council has been adequate for the purposes of the audit.

Management's responsibilities

Management is responsible for:

- The preparation and fair presentation of the consolidated financial statements;
- Establishing and maintaining an adequate internal control structure and procedures for financial reporting, including the design and maintenance of accounting records, recording transactions, selecting and applying accounting policies, safeguarding of assets and preventing and detecting fraud and error;
- Ensuring completeness of information with regards to financial records and data and providing us with information on non-compliance, illegal acts, related party transactions;
- Ensuring proper recognition, measurement and disclosure with respect to selection of accounting policies, significant assumptions, future plans, related party transactions, any claims and possible claims, contingent gains and losses and subsequent events;
- Providing to us a written confirmation of significant representations.

Management's responsibilities are outlined in detail in our engagement letter.

Baker Tilly KDN LLP

Tax

Our tax services are designed to meet your business tax compliance and consulting needs.

- Tax Advisory
- Indirect Tax
- Transfer Pricing
- Cross Border & International
- SR&ED
- Personal and Corporate Tax Compliance
- Tax Minimizing Strategies
- Corporate Reorganizations
- Tax Dispute Resolution

Advisory

Across our advisory service lines, we get to the essence of value drivers so clients can realize optimal value and achieve their business objectives.

- Organizational Effectiveness & Productivity
- Operational Performance Reviews
- Business Development
- Social Enterprise Development
- Project Management
- Corporate & Organizational Governance
- Human Resources
- Financial and Risk Management
- Government Funding Applications
- Succession Planning
- Marketing and Client Strategy

Assurance

When you're facing a changing global economy, it's important to have someone next to you who will help navigate through the evolving accounting standards and changing regulatory environment.

- Entrepreneurial
- Audit & Accounting
- Private Enterprise
- Public Sector

Transaction

Whether you are a buyer or a seller, knowledge is power and decisive action begins with clarity.

- Mergers & Acquisitions
- Capital Raising
- Transaction Support
- Valuations
- Corporate Finance
- Restructuring & Recovery

IT

Navigating through the maze of information technology needs and business optimization planning is a challenge to most businesses in today's evolving world.

- Cyber Security & Data Protection
- Network Assessment
- Infrastructure Recommendations & Implementation
- Backup Solutions

Local insight meets global reach

4 offices | 19 partners | 120 professionals

Now, for tomorrow





Thank you