



Municipality of West Grey

2023 | Audit Findings
Report to the Council

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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 Municipality of West Grey (the "Municipality") as at Dec 31 and for the year 2023 then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Council.

As auditors, we report to the members on the results of our examination of the consolidated financial statements of the Municipality as at and for the year 2023 ended Dec 31. The purpose of this Report is to assist you, as members of the Council, in your review of the results of our audit.

This Report is intended solely for the information and use of the 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 substantially completed our audit of the consolidated financial statements of the Municipality 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 signed management representation letter;
- Discussion of subsequent events with Council; and
- The 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 February 4, 2025.




Unless unforeseen complications arise, our Independent Auditor's Report will provide a qualified opinion to the Municipality. 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 2023 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	Final materiality used for our audit was \$550,000 for December 31, 2023.
 Identified or Suspected Fraud	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.
 Identified or Suspected Non-Compliance with Laws and Regulations	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
 Matters Arising in Connection with Related Parties	No significant matters arose during the course of our audit in connection with related parties of the Municipality
 Going Concern	Nothing has come to our attention that would suggest a significant doubt on the ability of the Municipality to continue as a going concern.
 Auditor's Views of Significant Accounting Practices, Accounting Policies and Accounting Estimates	The application of Canadian accounting standards for private enterprises allows and requires the Municipality to make accounting estimates and judgments regarding accounting policies and financial statement disclosures. As auditors, we are uniquely positioned to provide

	<p>open and objective feedback regarding your Municipality's accounting practices, and have noted the following items during the course of our audit that we wish to bring to your attention.</p> <p>The accounting policies used by the Municipality are appropriate and have been consistently applied.</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, no significant deficiencies in internal control have come to our attention.</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
<p>Recognition of Revenue</p> <p>There is a risk that conditional grant revenues are not recorded when eligibility criteria and stipulations are met. This includes improper expenses being allocated to the grant funding and/or revenues not being recognized when the proper expenses occur</p>	<p>There were no issues to note during the procedures designed to address this specific risk</p>
<p>Calculation of employee future benefits liability</p> <p>The liability is large and involves significant assumptions and estimates.</p>	<p>There were no issues to note during the procedures designed to address this specific risk.</p>

<p>Management override of controls Management may at any time have the opportunity to override internal controls.</p>	<p>There were no issues to note during the procedures designed to address this specific risk.</p>
<p>Journal Entries Journal entries are not reviewed by someone other than preparer. A journal entry could be posted to an incorrect account and may go undetected</p>	<p>There were no issues to note during the procedures designed to address this specific risk.</p>
<p>Key employees managing payroll Significant risk that employee's pay rates are changed without authorization.</p>	<p>There were no issues to note during the procedures designed to address this specific risk.</p>
<p>Calculation of asset retirement obligation (ARO) The liability is large and involves significant assumptions and estimates. Additionally, there was a new accounting standard introduced during the fiscal year.</p>	<p>Management did not perform an analysis of their assets to determine whether an ARO should be recorded at year end. The information has not been properly gathered to assess ARO at this time. The municipality did not adopt PSAS 3280 and continued to account for its landfill's liability in accordance with the previous and no longer in affect standard, PS 3270. This is a GAAP departure and scope limitation. Therefore, the financial statements will be qualified.</p>

Other Areas

Area	Comments
Auditor Independence	We confirm to Council that we are independent of the Municipality. 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	Several significant adjustments were proposed to

	management with respect to the Dec. 31, 2023 consolidated financial statements.
Other Information	<p>Pursuant to our responsibilities under Canadian generally accepted auditing standards, we have reviewed other financial and non-financial information included in documents containing the consolidated financial statements and our auditor's report thereon. We review these documents for the purpose of ensuring their content does not contradict information derived from our audit procedures.</p> <p>In reviewing the other information, we did not note any material inconsistencies with the consolidated financial statements.</p>

Summary of Significant Differences

Significant Adjusted Differences

Differences Noted and Items Affected		
Adjusting journal entries have been discussed and approved by management		

Significant Unadjusted Differences

Differences Noted and Items Affected	Balance Sheet	Earnings
Estimate of Error for Aggregate Resource	\$ 109,533	\$ - 109,533
Under accrual of insurance liability	\$ -67,866	\$ 67,866
Understatement of Inventory	\$58,219	\$-58,219
Understatement of Liabilities	\$ -43,730	\$ 43,730
Total Unadjusted Differences (Income Effect)		\$ -56,156

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,

MNP LLP

**Chartered Professional Accountants
Licensed Public Accountants**

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Signature Title Date

Signature Title Date

Appendix A – Communication Requirements

Required Communication with Those Charged with Governance

Recognizing the importance of effective two-way communication in an audit of financial statements, we wish to highlight the following areas of required communication between our audit team and those charged with governance.

Required Communication	Reference
<p>AUDIT SERVICE PLAN</p> <ul style="list-style-type: none"> How the firm's system of quality management supports the consistent performance of quality audit engagements. Our responsibilities in relation to the financial statement audit, including forming and expressing an opinion on the financial statements. An overview of the planned scope and timing of the audit, including communication of significant risks identified by the audit team. Planned use of the work of the internal audit function, including, if applicable, the extent planned use of internal auditors to provide direct assistance. 	<p>CSQM 1.34(e)</p> <p>CAS 260.14</p> <p>CAS 260.15</p> <p>CAS 610.20, .31</p>
<p>INQUIRY IN THE COURSE OF THE AUDIT</p> <ul style="list-style-type: none"> How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud and the controls that management has established to mitigate these risks. Knowledge of any actual, suspected or alleged fraud affecting the Municipality. 	<p>CAS 240.21</p> <p>CAS 240.22</p>

<ul style="list-style-type: none"> • Whether the Municipality is in compliance with laws and regulations. • Whether any subsequent events have occurred which might affect the financial statements. 	<p>CAS 250.15</p> <p>CAS 560.7(b)</p>
<p>AUDIT FINDINGS AND FINALIZATION</p>	
<ul style="list-style-type: none"> • Any modification to our audit plan and strategy • Fraud or suspected fraud identified through the audit process. • Matters involving non-compliance with laws and regulations identified through the audit process, unless prohibited by law or regulation. • Our views about significant qualitative aspects of the Municipality's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. <ul style="list-style-type: none"> ○ When applicable, an explanation of why we consider a significant accounting practice that is acceptable under the applicable financial reporting framework, not to be most appropriate in the particular circumstances of your Municipality. • Significant difficulties, if any, encountered during the audit. • Significant matters arising during the audit that were discussed or subject to correspondence, with management and the associated written representations requested of management. • Circumstances that affect the form and content of the auditor's report. This includes: <ul style="list-style-type: none"> ○ The determination of the key audit matters for communication in the auditor's report. ○ Modifications to our opinion(s), if any. ○ The wording of an expected Emphasis of Matter or Other Matter paragraph. ○ If an uncorrected material misstatement of other information exists. • Any other significant matters arising during the audit that, in our professional judgment, are relevant to the oversight of the financial reporting process. This includes: 	<p>CAS 260.A26</p> <p>CAS 240.40 - .42</p> <p>CAS 250.23</p> <p>CAS 260.16(a), CAS 260 Appendix 2</p> <p>CAS 260.16(b)</p> <p>CAS 260.16(c)</p> <p>CAS 260.16(d)</p> <p>CAS 701.17(a)- (b)</p> <p>CAS 705.30</p> <p>CAS 706.12</p> <p>CAS 720.17 - .18</p> <p>CAS 260.16(e)</p>

<ul style="list-style-type: none"> • A statement of our compliance with relevant ethical requirements regarding independence, including disclosure of: <ul style="list-style-type: none"> ○ All relationships or matters that in the auditor's professional judgment, may reasonably be thought to bear on independence, and ○ The related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level. • Significant deficiencies in internal control identified during the audit. • Uncorrected misstatements and the effect that they, individually or in aggregate, may have on the opinion in the auditor's report. • Significant matters arising during the audit in connection with the Municipality's related parties. • Events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. 	<p>CAS 260.C17[, .A32[hide if EP-59 "public" is selected]]</p> <p>CAS 265.9</p> <p>CAS 450.12 - .13[, CAS 510.7, CAS 710.18]</p> <p>CAS 550.27</p> <p>CAS 570.25</p>
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This list is not exhaustive. In addition to the communication requirements discussed above, other requirements exist which are contingent on specific circumstances arising in the course of an audit. The audit team applies professional judgment in determining areas of additional communication with those charged with governance outside of the requirements identified above.

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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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