

Corporation of the City of Clarence-Rockland

Audit communication to the Municipal Council
for the year ended December 31, 2023

START



To the Municipal Council of Corporation of the City of Clarence-Rockland

We are pleased to provide you with this communication to highlight and explain key issues which we believe to be relevant to the audit of Corporation of the City of Clarence-Rockland (the “City”) financial statements for the year ended December 31, 2023.

The enclosed communication includes our approach to your audit, including: significant risks identified, the nature, extent, timing, and results of our audit work, and the terms of our engagement. We will also communicate any significant internal control deficiencies identified during our audit and confirm our independence.

During the course of our audit, management made certain representations to us—in discussions and in writing. We documented these representations in the audit working papers.

We look forward to discussing our communication with you. In the meantime, please feel free to contact us if you have any questions or concerns.

Yours truly,

BDO Canada LLP

Table of Contents

1	Auditor's responsibilities	4
2	Audit at a glance	7
3	Status of the audit	8
4	Audit findings	9
5	Internal control matters	11
6	Adjusted and unadjusted differences	12
7	Other required communications	13
8	How we audit financial statements	14
9	Your audit: Client-centricity in action	17
10	BDO's digital audit suite	18
11	Recommended resources	20
12	Appendices	24

For the year ended December 31, 2023



BDO'S DIGITAL AUDIT SUITE

APT Next Gen

We use our APT Next Gen software and documentation tool to save time, streamline processes, and go paperless with your audit.

[LEARN MORE](#)

DISCOVER THE DIGITAL DIFFERENCE

Auditor's responsibilities: financial statements

We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management, with oversight by those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. The scope of our work, as confirmed in our engagement letter, is set out below:

- ▶ Present significant findings to the Municipal Council including key audit and accounting issues, any significant deficiencies in internal control and any other significant matters arising from our work.
- ▶ Provide timely and constructive management letters. This includes deficiencies in internal control identified during our audit.
- ▶ Consult regarding accounting, and reporting matters as requested throughout the year.
- ▶ Work with management to issue financial statements in a timely manner.
- ▶ Identify and assess the risks of material misstatement due to fraud.
- ▶ Obtain sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses.
- ▶ Respond appropriately to fraud or suspected fraud identified during the audit.

For the year ended December 31, 2023





Auditor's responsibilities: fraud risks

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud, by:

- ▶ Identifying and assessing the risks of material misstatement due to fraud;
- ▶ Obtaining sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- ▶ Responding appropriately to fraud or suspected fraud identified during the audit.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

Behind the audit report



Learn how we audit your financial statements

[SEE OUR PROCESS](#)



Auditor's responsibilities: fraud risks

During the audit, we performed risk assessment procedures and related activities to obtain an understanding of the entity and its environment, including the City's internal control, to obtain information for use in identifying the risks of material misstatement due to fraud and made inquiries regarding:

- ▶ Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;
- ▶ Management's process for identifying and responding to the risks of fraud in the City, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
- ▶ Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in Corporation of the City of Clarence-Rockland; and
- ▶ Management's communication, if any, to employees regarding its view on business practices and ethical behavior.

We are not aware of any fraud affecting the City. If you are aware of any instances of actual, suspected, or alleged fraud, please let us know.

Audit at a glance

Materiality

We determined materiality to be \$1,300,000 for the year ended December 31, 2023.

Misstatements are considered to be material if they could reasonably be expected to influence the decisions of users based on the financial statements.

Judgments about materiality are made in light of surrounding circumstances and include an assessment of both quantitative and qualitative factors and can be affected by the size or nature of a misstatement, or a combination of both.

We communicated all corrected and uncorrected misstatements identified during our audit to the Municipal Council, other than those which we determined to be “clearly trivial.”

We encouraged management to correct any misstatements identified throughout the audit process.

Our independence



We have complied with relevant ethical requirements and are not aware of any relationships between Corporation of the City of Clarence-Rockland and our Firm that may reasonably be thought to bear on our independence.

Status of the audit

We have substantially completed our audit of the year ended December 31, 2023 financial statements, pending completion of the following items:

- ▶ Receipt of signed management representation letter
- ▶ Subsequent events review through to the financial statements approval date
- ▶ Approval of financial statements by the Municipal Council

We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the financial statements are free from material misstatement.

Audit findings

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the City's accounting practices, including accounting policies, accounting estimates and financial statements disclosures. We look forward to exploring these topics in depth and answering your questions. A summary of the key discussion points are below:

Financial statement areas	Risks noted	Audit findings
Revenue recognition on tax revenues - significant	Canadian Auditing Standards require the audits to include a significant risk with regards to revenue recognition.	We have conducted a review of journal entries and adjustments made in the taxation revenues and user charges revenues. We have recalculated taxation revenues and compared to amounts recorded. We also tested a sample of taxes receivable. No issues were noted.
Management override of controls - significant	Management override is a standard risk in all audits.	We have conducted a review of journal entries throughout the year and incorporated an element of unpredictability in our audit strategy. No issues were noted.
Asset Retirement Obligations – significant	Risk that the asset retirement obligation is not recorded properly at year-end	We have reviewed the calculation prepared by management and traced to supporting documentation where appropriate. We ensured that all asset retirement obligations were included by discussing with management. We have also assessed the reasonability of management's process used to identify potential liabilities. No issues were noted.



BDO'S DIGITAL AUDIT SUITE

BDO Global Portal

We use BDO Global Portal to help you collaborate with your audit team in a seamless way—placing everything you need in one accessible, secure place.

[LEARN MORE](#)

DISCOVER THE DIGITAL DIFFERENCE



Other findings

In the previous fiscal year, the Consolidated Financial Statements were qualified due to the identification of unrecorded tangible capital assets that were transferred in previous periods.

During the year, the City recorded the adjustments that were necessary to account for the unrecorded tangible capital assets. For a sample of contributed tangible capital assets, we have traced to supporting documentation to ensure the existence and accuracy of the assets being reported. Similarly, we have recalculated the associated amortization and ensured consistency with the City's amortization policies.



BDO'S DIGITAL AUDIT SUITE

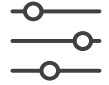
BDO Global Portal

We use BDO Global Portal to help you collaborate with your audit team in a seamless way—placing everything you need in one accessible, secure place.

[LEARN MORE](#)

DISCOVER THE
DIGITAL DIFFERENCE





Internal control matters

During the audit, we performed the following procedures regarding the City's internal control environment:

- ▶ Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- ▶ Discussed and considered potential audit risks with management.

We considered the results of these procedures in determining the extent and nature of audit testing required.



We are required to report to you in writing about any significant deficiencies in internal control that we have identified during the audit.

A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that merits the attention of those charged with governance.

The audit expresses an opinion on the City's financial statements. As a result, it does not cover every aspect of internal controls—only those relevant to preparing the financial statements and designing appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

No control deficiencies were noted that, in our opinion, are of significant importance to discuss.

Adjusted and unadjusted differences

A summary of proposed entries has been presented in Appendix B.

No unadjusted misstatements have been identified during the course of the audit.



Other required communications

Professional standards require independent auditors to communicate with those charged with governance certain matters in relation to an audit. In addition to the points communicated within this letter, the attached table summarizes these additional required communications.

Issue	BDO response
Potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements.	No matters identified.
Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern.	No risks identified.
Disagreements with management about matters that, individually or in the aggregate, could be significant to the entity's financial statements or our audit report.	No disagreements identified.
Matters involving non-compliance with laws and regulations.	No matters identified.
Significant related party transactions that are not in the normal course of operations and which involve significant judgments made by management concerning measurement or disclosure.	No such transactions identified.
Management consultation with other accountants about significant auditing and accounting matters.	None encountered.



How we audit financial statements: Our audit process

IDENTIFY AND ASSESS RISK

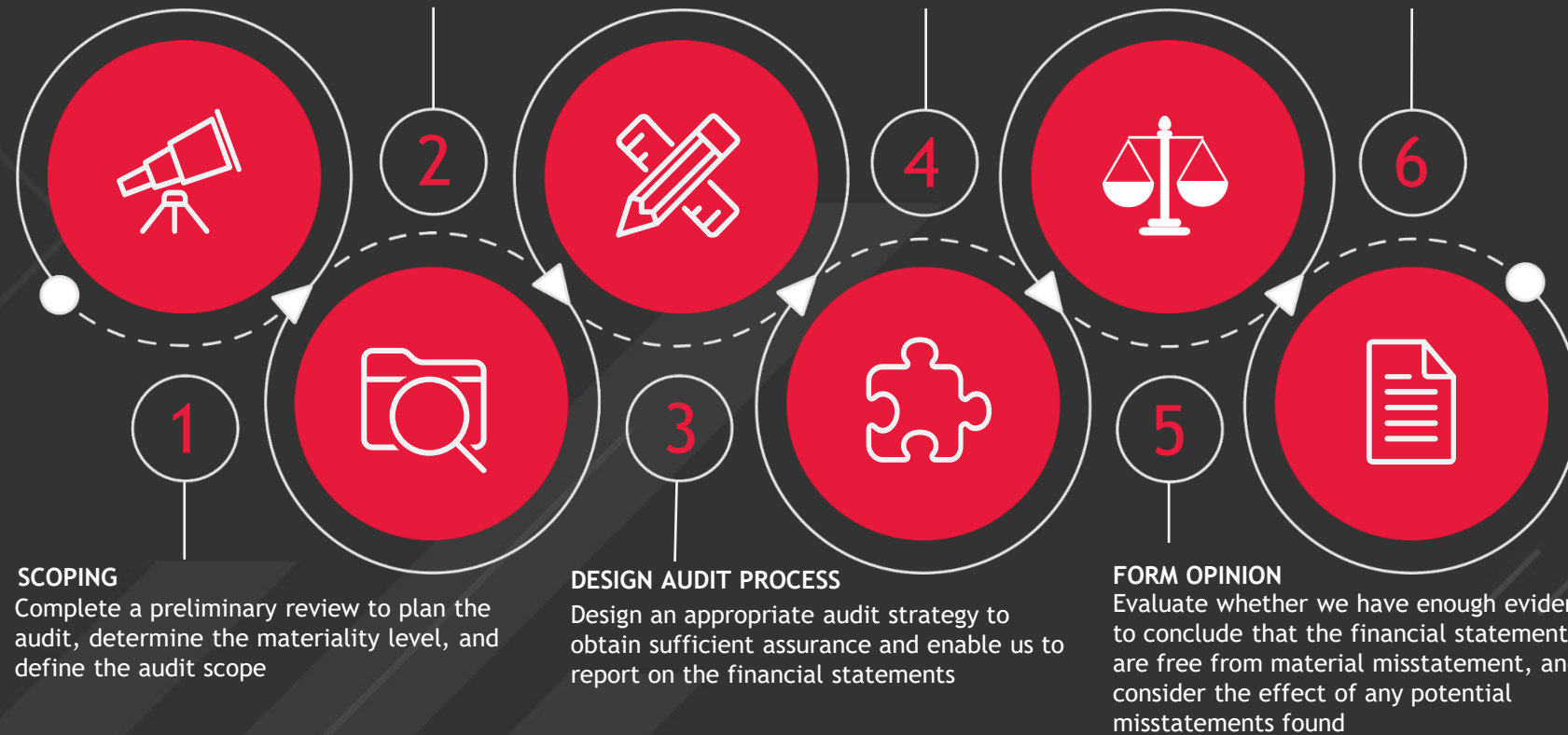
Focus on those areas of financial statements that contain potential material misstatements as a consequence of the risks you face

OBTAIN AUDIT EVIDENCE

Perform audit procedures while maintaining appropriate degree of professional skepticism, to conclude whether or not the financial statements are presented fairly

COMMUNICATION

Communicate our opinion and details of matters on which we are required to communicate





How the firm's system of quality management (SoQM) supports the consistent performance of quality audit engagements

The firm is committed to maintaining high standards of audit quality that meet stakeholders' expectations and serve the public interest. We foster a culture where audit quality is at the center of our strategy and priorities. All partners and staff are accountable for performing quality engagements and upholding professional ethics, values, and attitudes.

The firm invested significant time and resources to establish and operate a SoQM that complies with the requirements set out in Canadian Standard on Quality Management 1 - Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (CSQM 1) as issued by the Auditing and Assurance Standards Board (AASB). The SoQM ensures the firm and its personnel meet professional standards, legal and regulatory requirements, and conduct engagements accordingly, with reports issued appropriately for the circumstances.

Taken together our system of quality management supports consistent performance of audit engagements by focusing on eight components that operate in an iterative and integrated manner. These include:



Standard for Audit Quality



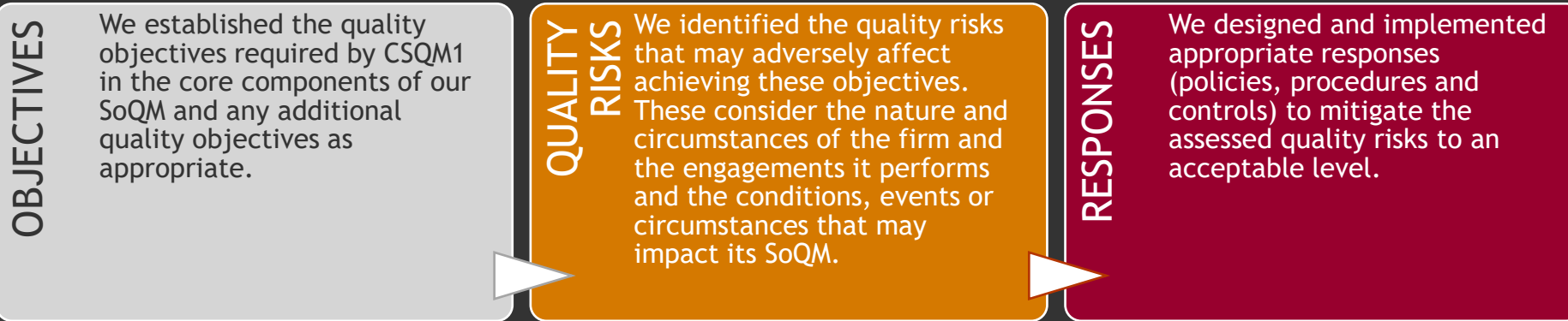
CSQM 1

The quality of an audit depends not only on the people conducting it—but also on the systems underpinning it. These new rules up the ante for your audit quality.



Establishing and improving the firm's SoQM

In establishing and continuously improving our firm's SoQM, we carried out the following for each of the SoQM components:



MONITORING

We monitor the design, implementation and operating effectiveness of the firm's SoQM to identify areas for improvement. Root cause analysis is performed on deficiencies identified and remedial actions are implemented on a timely basis. This robust monitoring and remediation process is important for continuous improvement in quality processes.

On at least an annual basis the firm evaluates whether these deficiencies have a severe and/or pervasive impact on the achievement of the quality objectives in the SoQM.

We identify emerging developments and changes in the circumstances of the firm or its engagements and adapt the SoQM to respond to such changes.

Evaluating SoQM:

Our annual SoQM evaluation involves reviewing information about the system's design, implementation, and operation through monitoring activities. It includes testing response effectiveness, reviewing findings from inspections, and other relevant SoQM information. Using professional judgment, we assess whether identified findings represent deficiencies in the SoQM, investigating their root causes and evaluating their severity and pervasiveness.



Our audit approach: Responsiveness in action

Our firm is deliberately structured to allow one partner to every six staff members. This means easy access to senior staff and the lead partner throughout your audit. It also helps our team gain a better understanding of your organization.

Our audit process differs from the typical audit in our use of in-field reviews. The benefit of these in-field reviews is that final decision-makers are on site ensuring issues are resolved and files closed quickly.

We offer clients the full-service expertise of a national firm. Yet we maintain a local community focus. The comprehensive range of services we deliver is complemented by a deep industry knowledge gained from over 100 years of working within local communities.



Discover how we're accelerating audit quality



Audit Quality Report

We collected our core beliefs around audit quality, the very practical steps we take to sustain it, and the progress we have made to accelerate its quest.

[Follow our progress](#)



BDO's digital audit suite

Our digital audit suite of technologies enables our engagement teams to conduct consistent risk-based audits, both domestically and internationally, with maximum efficiency and minimal disruption to our clients' operations and people.

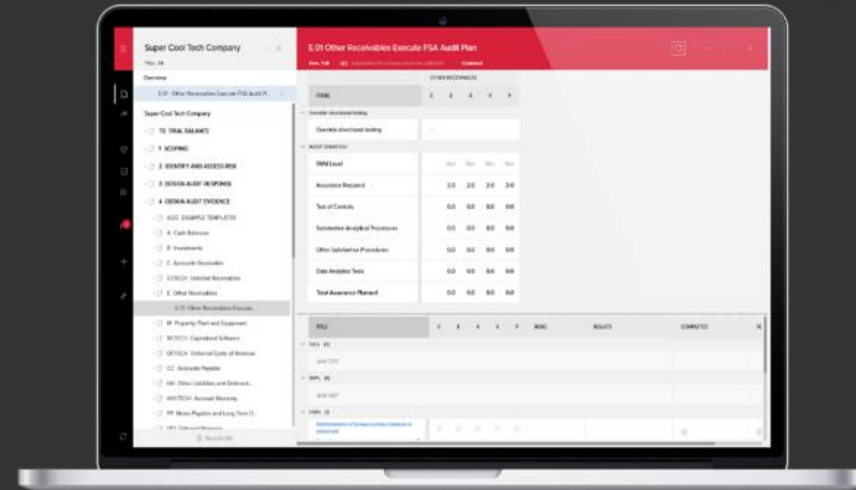
APT Next Gen

Our audit software and documentation tool, APT, is an integral part of our audit methodology. Our professionals engage APT to devise and perform appropriate, risk-based audit procedures and testing based on applicable Canadian Auditing Standards (CASs), as well as to factor in engagement and industry-specific objectives and circumstances.

APT enables us to deliver an audit that fits your organization—whether large or small; complex or basic.

This sophisticated tool also amplifies two key attributes of our audits: consistency and quality. The quality framework that we developed measures our audit performance with hard quality indicators and reflects our indispensable culture for quality. To see our audit quality and consistency in action, look no further than how our teams share best audit practices for continuous improvement.

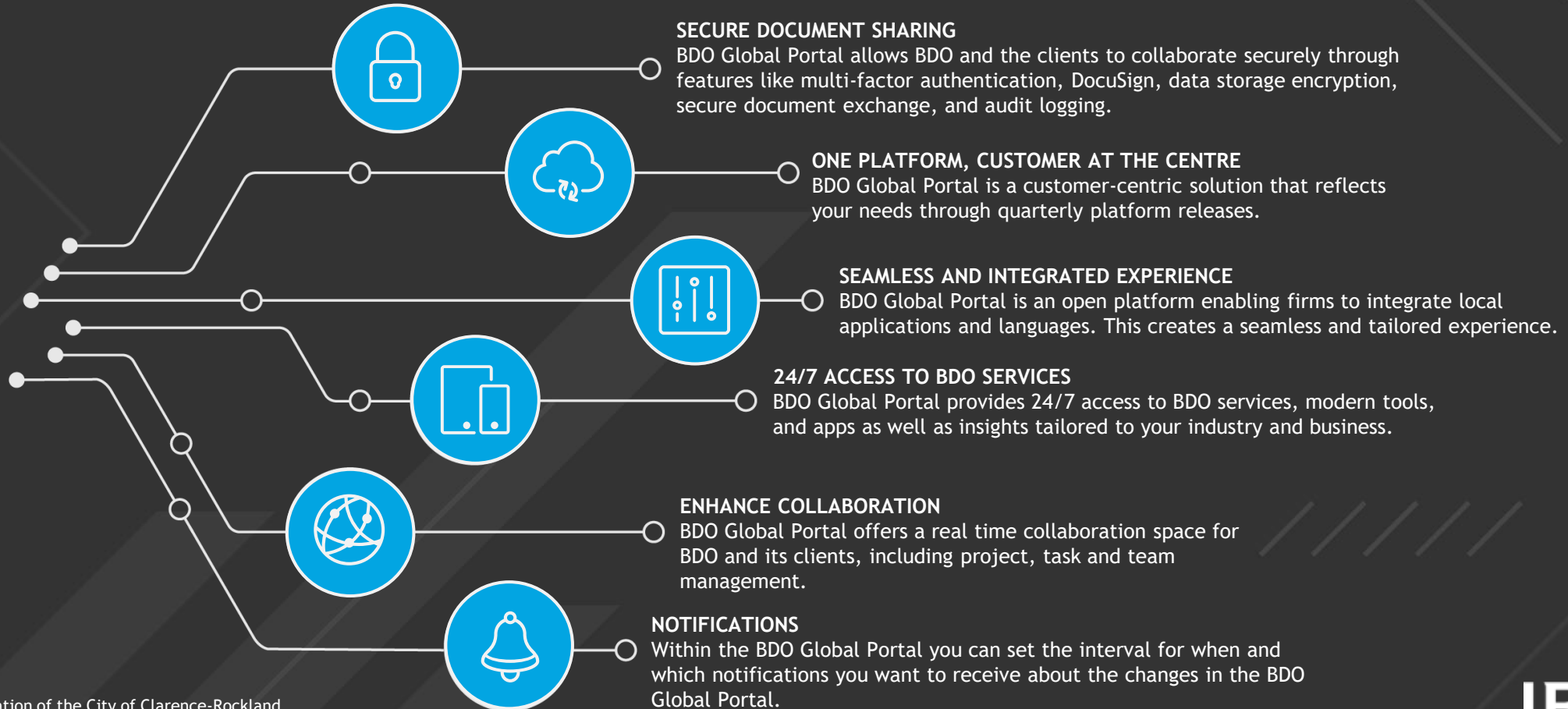
Through a strategic alliance with Microsoft and the introduction of new technology, this global, cloud-based application can now streamline and focus the audit process in even more ways for BDO professionals and their clients.





BDO Global Portal

BDO Global Portal transforms and enhances your digital experience with your BDO advisors. Available at any time, Portal enables you to access all services, tools, apps, and information and to collaborate with your advisors in a seamless way through a flexible, appealing, and secure environment.

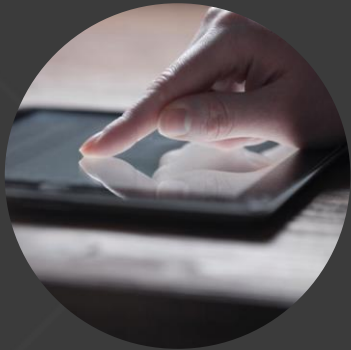




Recommended Resource

Staying in the know with knowledge and perspective

Key changes to financial reporting



When the rules of reporting change, you may need to fine-tune how to present financial statements and govern the organization.

[ACCESS OUR KNOWLEDGE CENTRE](#)

The latest tax pointers



Corporate. Commodity. Transfer pricing. International tax. Government programs. Together they add up to immense differences on the organization's bottom line. Our tax collection keeps you current.

[STAY ON TOP OF TAXES](#)

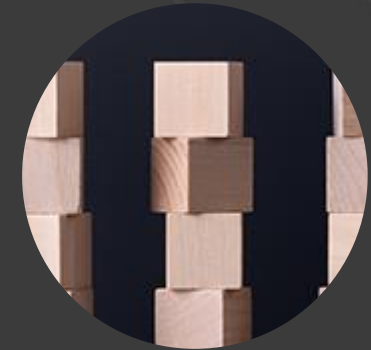
Trending topics



As a community of advisors with the best interests of our clients in mind, we keep our ear to the ground to bring insights and perspectives related to key business trends to you.

[EXPLORE NOW](#)

Asset Retirement Obligations (ARO): A Practical Approach to Section PS 3280



This publication will walk through a practical approach to applying Section PS 3280 including: identification, recognition and measurement of an obligation, and the different options available to entities on transition.

[READ ARTICLE](#)



Recommended Resource

Staying in the know with knowledge and perspective

Key changes to financial reporting



When the rules of reporting change, you may need to fine-tune how to present financial statements and govern the organization.

[ACCESS OUR KNOWLEDGE CENTRE](#)

The latest tax pointers



Corporate. Commodity. Transfer pricing. International tax. Government programs. Together they add up to immense differences on the organization's bottom line. Our tax collection keeps you current.

[STAY ON TOP OF TAXES](#)

Trending topics



As a community of advisors with the best interests of our clients in mind, we keep our ear to the ground to bring insights and perspectives related to key business trends to you.

[EXPLORE NOW](#)

Asset Retirement Obligations (ARO): A Practical Approach to Section PS 3280



This publication will walk through a practical approach to applying Section PS 3280 including: identification, recognition and measurement of an obligation, and the different options available to entities on transition.

[READ ARTICLE](#)

Spotlight on ESG



Transformative world events—an international health crisis, social movements, shareholder and investor values, global supply chains, energy transition, smart cities, and sustainable finance—are transforming Canadian business.

Standards and regulations are rapidly changing to reflect the goals of all of your stakeholders. Organizations, investors, and customers are embracing environmental, social, and governance (ESG) considerations as important measures of success. Non-financial and financial information is becoming more interconnected.

ESG Insights



Sector insights at your convenience

[EXPLORE NOW](#)

Spotlight on public sector



Industry insights to shape your business

At BDO, we help governments create efficient ways of working to achieve better outcomes for their citizens and public servants. From technology-based solutions to program development, advisory and audit, our team can guide you through critical strategic decisions to ensure you deliver on your vision, goals, and accountability expectations.

Public sector Insights



Resources to support your business

[EXPLORE NOW](#)

Appendices

- ▶ Appendix A: Management Letter
- ▶ Appendix B: Adjusting Journal Entries



Appendix A: Management Letter



Tel: 613-237-9331
Fax: 613-237-9779
www.bdo.ca

BDO Canada LLP
180 Kent, Suite 1700
Ottawa (Ontario)
K1P 0B6

May 8, 2024

Corporation of the City of Clarence-Rockland
1560 Laurier Street
Rockland, Ontario
K4K 1P7

To the attention of management

Subject: Management letter

During the course of our audit of the financial statements (“financial statements”) of the Corporation of the City of Clarence-Rockland for the year ended December 31, 2023, we identified matters which may be of interest to council members.

The objective of an audit is to obtain reasonable assurance whether the financial statement is free of any material misstatement, and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. Accordingly, an audit would not usually identify all such matters.

The matters we have identified are discussed in Appendix 1.

This communication is prepared solely for the information of management and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication.

We would like to express our appreciation for the cooperation and assistance which we received during the course of our audit from Frederic Desnoyers and Ann Chagnon.

Warm regards,

A handwritten signature in black ink, appearing to read 'Annik Blanchard'. The signature is written in a cursive, flowing style.

Annik Blanchard, CPA, CA
Partner
BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants

Appendix 1

All Applications - Periodic Access Review

During the course of our audit, it was determined that documentation is not maintained to support the occurrence and results of the annual periodic access review of authorized users for IT applications. Evidence of this control should be maintained for reference at a later date in the event that authorization issues arise. In accordance with recordkeeping best practices, it is recommended that the results of this process are documented which to create an audit trail.

Digibot - User Access Provisioning and Deprovisioning

During the course of our audit, it was determined that there is no formal, documented process in place for the provisioning and deprovisioning of user access to the Digibot application. The implementation of a formal and documented process supports recordkeeping best practices and limits the risk of unauthorized access by ensuring that access is provided on an as-needed basis and that user terminations are processed in a timely manner. It is recommended that a formal process is implemented, and that accompanying documentation is maintained.



Appendix B: Adjusting Journal Entries

Corporation de la cité de Clarence-Rockland

Year End: December 31, 2023

Journal Entries

Date: 12/31/2022 To 12/31/2023

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
1	12/31/2023	Reserve - Waste Management	1-2-0085-0418	HH_PS. 07		489,104.20		
1	12/31/2023	Closure - Post closure	1-4-9523-3133	HH_PS. 07	489,104.20			
To adjust an entry posted by management relating to the removal the prior period landfill obligation.								
2	12/31/2023	Surplus / Deficit - Capital	1-2-0099-0495	U. 07	11,186,933.51			
2	12/31/2023	Surplus / Deficit - Water	1-2-0099-0496	U. 07	4,247,243.94			
2	12/31/2023	Surplus / Deficit - Sewers	1-2-0099-0497	U. 07	1,721,451.99			
2	12/31/2023	Other	2-3-3140-0574	U. 07		1,021,810.34		
2	12/31/2023	Other	2-3-3140-0574	U. 07		13,433,743.29		
2	12/31/2023	Other	2-3-9100-0574	U. 07		805,261.71		
2	12/31/2023	Subvention à Recevoir OCWA	2-3-9300-0574	U. 07		1,894,814.10		
Entry to recognize the impact of contributed assets.								Factual
3	12/31/2023	Surplus / Deficit - Capital	1-2-0099-0495	U. 07		1,866,044.18		
3	12/31/2023	Surplus / Deficit - Water	1-2-0099-0496	U. 07		522,676.03		
3	12/31/2023	Surplus / Deficit - Sewers	1-2-0099-0497	U. 07		187,911.61		
3	12/31/2023	Amortization - Storm	1-4-3216-6100	U. 07	513,522.30			
3	12/31/2023	Amortization	1-4-3406-6100	U. 07	1,184,499.61			
3	12/31/2023	Amortization	1-4-3556-6100	U. 07	36,593.98			
3	12/31/2023	Amortization	1-4-3816-6100	U. 07	128,146.98			
3	12/31/2023	Amortization	1-4-7256-6100	U. 07	3,281.31			
3	12/31/2023	Amortization	1-4-9126-6100	U. 07	522,676.03			
3	12/31/2023	Amortization	1-4-9316-6100	U. 07	187,911.61			
To recognize amortization expense on contributed assets.								Factual
					20,221,365.46	20,221,365.46		
Net Income (Loss)			20,531,718.66					

Prepared by IS 04/26/2024	Detail Rev KW 04/25/2024	Gen Rev AJB 04/23/2024	Quality Rev
4th Level Rev	Tax Rev	IS Audit Rev	Other Rev