



**United Counties of Prescott and
Russell**
Report to the Municipal Council on the
2018 audit

April 24, 2019

April 16, 2019

To the Municipal Council of the United Counties of Prescott and Russell

Report on audited annual financial statements

Dear Municipal Council Members:

We are pleased to submit this report on the status of our audit of the United Counties of Prescott and Russell (the "United Counties") for the 2018 fiscal year. This report summarizes the scope of our audit, our findings to date and reviews certain other matters that we believe to be of interest to you.

As agreed in our master service agreement dated November 23, 2016, as well as in the confirmation of changes to services dated February 20, 2019, we have performed an audit of the financial statements of United Counties as of and for the year ended December 31, 2018, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and will issue our audit report thereon dated April 24 2019.

Our audit has been conducted in accordance with the audit plan that was presented to the Municipal Council at the meeting on February 20, 2019.

This report is intended solely for the information and use of the Municipal Council, management and others within the United Counties and is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,

Deloitte LLP

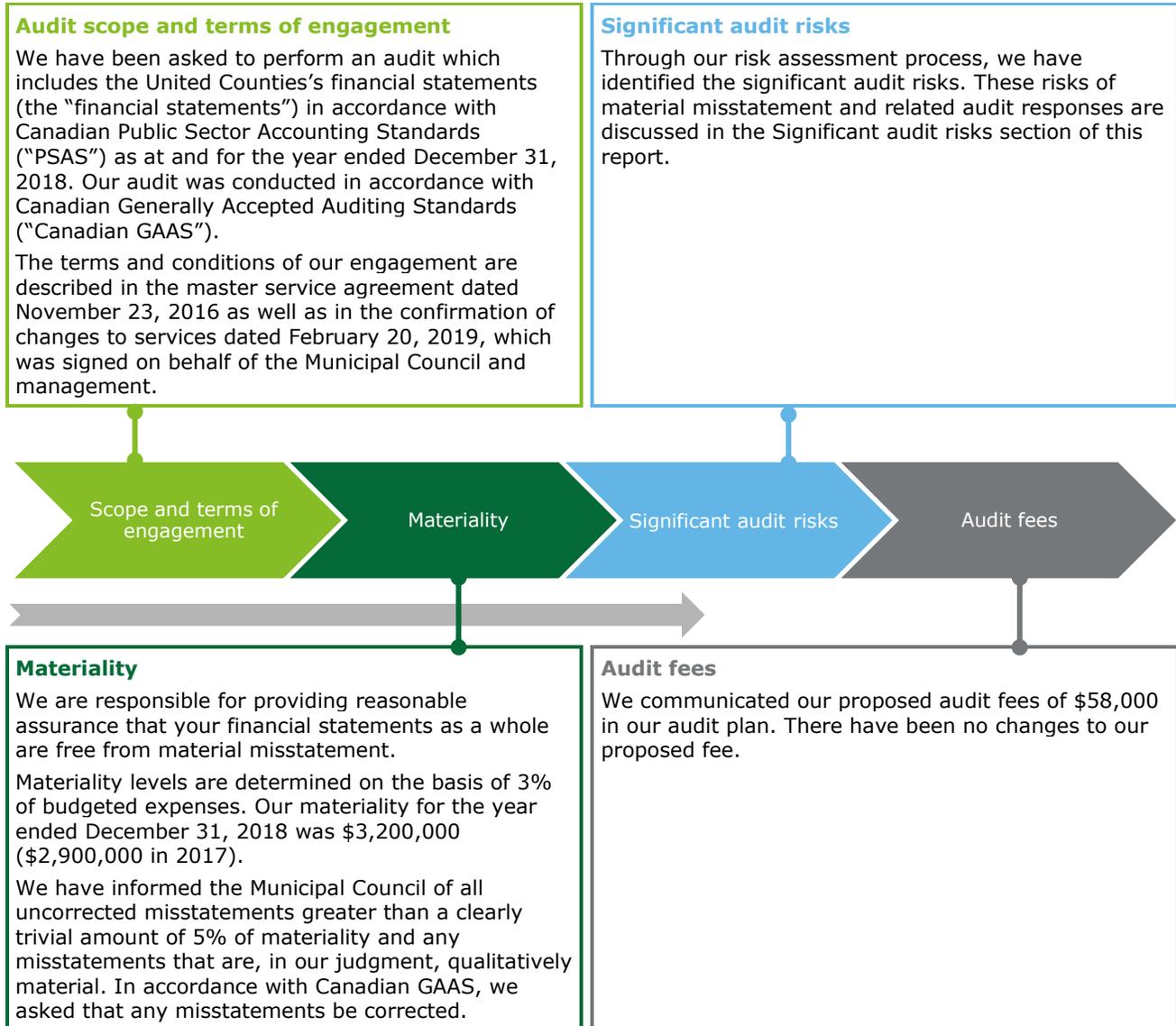
Chartered Professional Accountants
Licensed Public Accountants

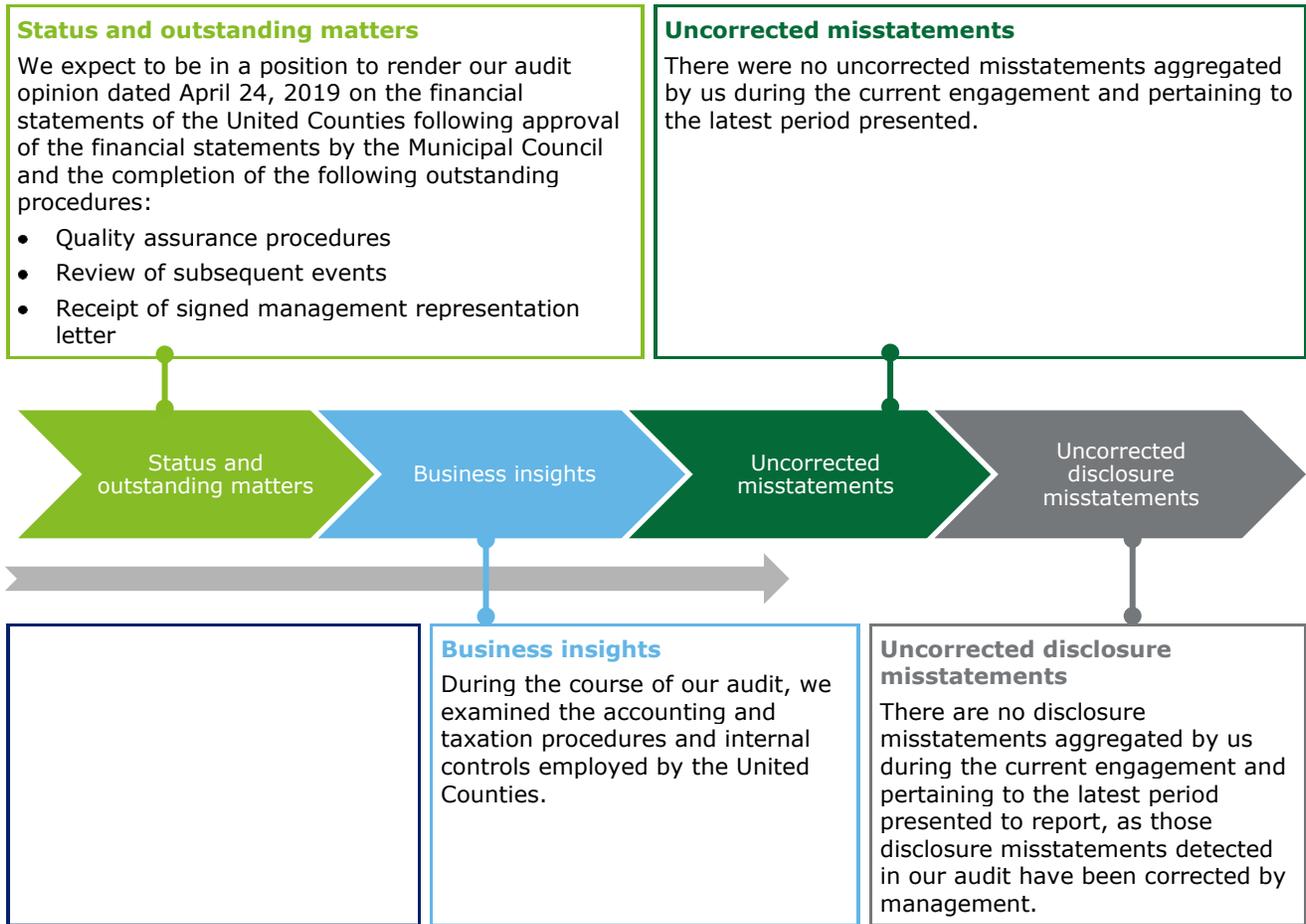
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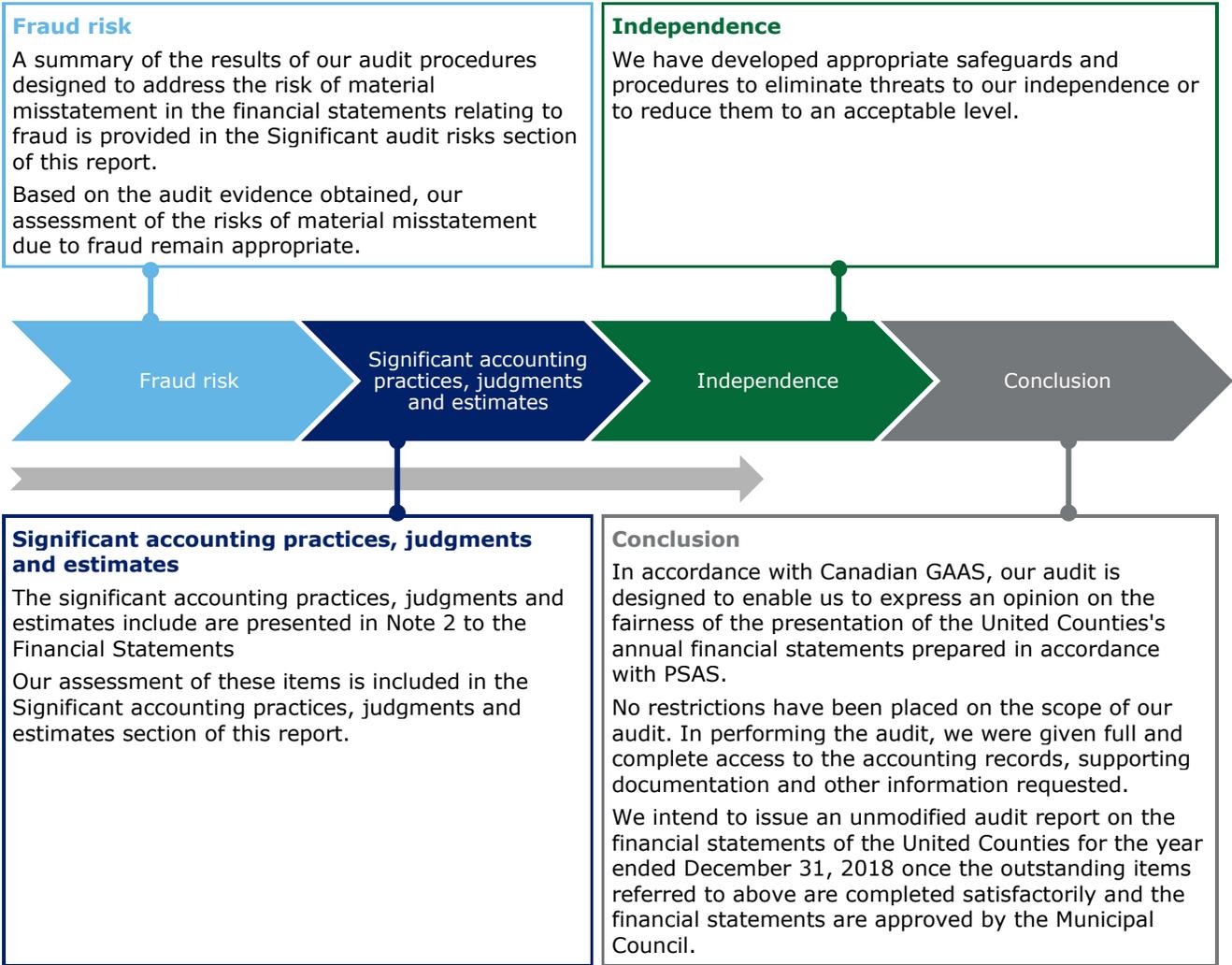
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Our audit explained

This report summarizes the main findings arising from our audit.







Significant audit risks

The significant audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below.

Significant risk dashboard

Audit risk	Fraud risk	Assessment of the design and implementation of internal controls	Results of the testing of the operating effectiveness of internal controls	Results of the substantive testing	Results of the use of experts	Overall conclusion
Management override of controls						Satisfactory
Cut-off						Satisfactory
Reserves and reserve funds						Satisfactory
Management estimates						Satisfactory



Addressed during the audit



An issue was identified



Not applicable

Management override of controls

Audit risk

Management is in a unique position to override internal controls, which could allow the manipulation of the accounting records that could result in financial statements that are materially misstated.

This represents a fraud risk for the audit.

Our audit response

- We discussed fraud with certain members of senior management and others and Council.
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- We evaluated the business rationale for any significant unusual transactions.
- We determined whether the judgments and decisions related to management estimates indicate a possible bias, which will include performing retrospective analysis of significant accounting estimates.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Cut-off of revenues

Audit risk

Cut-off of revenues is inappropriate.

Our audit response

- Detailed testing of accounts receivable and deferred revenues.
- Subsequent cash receipts testing.
- Testing of assumptions relating to accounts receivable and deferred revenues.

Audit results

We concluded that the internal controls were designed and implemented appropriately.

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Reserves and reserves funds

Audit risk

Transfers are not approved by the Municipal Council.

Our audit response

- Substantive testing of the reserves and reserve funds continuity schedule and of material transaction to determine if transfers are in accordance with the Council's approvals and/or legislative requirements.

Audit results

We concluded that the internal controls were designed and implemented appropriately.

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Management estimates

Audit risk

Management estimates are not realistic or justified.

Our audit response

- Review of calculations and assumptions.
- Compare last year's actual to estimate to ensure the estimates are reasonable.
- Discussion with management regarding assumptions.
- Analytical review of related accounts.

Audit results

We concluded that the internal controls were designed and implemented appropriately.

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Significant accounting policies, judgments and estimates

The accounting policies described below are those that are most important and representative of the United Counties's financial condition and financial performance.

In the course of our audit of the financial statements, we considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability and understandability of the information included in the financial statements.

Significant accounting policies

Significant accounting policies are presented in the Note 2 in the financial statements.

In our judgment, the significant accounting practices and policies, selected and applied by management are, in all material respects, acceptable under PSAS and are appropriate to the particular circumstances of United Counties.

Management judgment and accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. These judgments are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.

During the year ended December 31, 2018, management advised us that there were no significant changes in accounting estimates or in judgments relating to the application of the accounting policies.

In our judgment, the significant accounting estimates made by management are, in all material respects, free of possible management bias and of material misstatement. The disclosure in the financial statements around estimation uncertainty is in accordance with PSAS and is appropriate to the particular circumstances of the United Counties.

Other reportable matters

The following summarizes the status and findings of key aspects of our audit. In the appendices to this report, we have provided additional information related to certain matters we committed to report to Municipal Council as part of the audit plan.

	Comment				
Changes to the audit plan	No amendments were required to the audit scope and audit approach that we communicated in the audit plan.				
Use of the work of specialists and experts	As planned, Deloitte and external specialists and experts assisted in the audit to the extent we considered necessary: <table border="1" style="margin-left: 20px; border-collapse: collapse;"> <tr> <td style="padding: 2px;">IT specialists:</td> <td style="padding: 2px;">Participated in evaluating internal controls and in using our computerized audit applications.</td> </tr> <tr> <td style="padding: 2px;">Actuarial experts:</td> <td style="padding: 2px;">Helped assess the adequacy of the defined benefit obligation.</td> </tr> </table>	IT specialists:	Participated in evaluating internal controls and in using our computerized audit applications.	Actuarial experts:	Helped assess the adequacy of the defined benefit obligation.
IT specialists:	Participated in evaluating internal controls and in using our computerized audit applications.				
Actuarial experts:	Helped assess the adequacy of the defined benefit obligation.				
Significant difficulties encountered in performing the audit	We did not encounter any difficulties while performing the audit. There were no delays in receiving information from management required for the audit nor was there an unnecessarily brief timetable in which to complete the audit.				
Concerns regarding management competence and integrity	We have no concerns about management’s competence and integrity.				
Related party transactions	We have not identified any related party transactions				
Disagreements with management	In the course of our audit, we did not encounter any disagreements with management about matters that individually or in the aggregate could be significant to the financial statements.				
Consultation with other accountants	Management has informed us that the United Counties has not consulted with other accountants about auditing or accounting matters.				
Litigation	No significant litigation to be reported.				
Legal and regulatory compliance	<p>Management is responsible for ensuring that the United Counties’ operations are conducted in accordance with the laws and regulations applicable to the United Counties in the jurisdictions in which it operates. The responsibility for preventing and detecting non-compliance rests with management.</p> <p>The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations.</p> <p>Our limited procedures have not identified any areas of significant non-compliance with laws and regulations by the United Counties.</p>				
Subsequent events	At the date of finalizing this report, we are not aware of any significant subsequent events.				

Appendix 1 – Communication requirements

Required communication	Reference	Refer to this report or document described below
Audit Service Plan		
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS ¹ 260.14	Master service agreement
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit b. Significant risks, including fraud risks c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk d. Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audit 	CAS 260.15	Audit service plan presented on February 20, 2019.
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27	The United Counties have properly identified, accounted for, and disclosed its relationships and transactions with related parties in the Financial statements
Enquiries of those charged with governance		
4. How those charged with governance exercise oversight over management’s process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	CAS 240.20	Management informs Council regularly on controls in place to reduce risks
5. Any known suspected or alleged fraud affecting the United Counties	CAS 240.21	We are not aware of any fraudulent events
6. Whether the United Counties is in compliance with laws and regulations	CAS 250.14	We are not aware of any situations of non-compliance with laws and regulations

Required communication	Reference	Refer to this report or document described below
Year End Communication		
7. Fraud or possible fraud identified through the audit process	CAS 240.40-.42	We are not aware of any fraudulent events
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.	Significant Accounting practices, judgements and estimates
9. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.	Significant Accounting practices, judgements and estimates
10. Matters related to going concern	CAS 570.25	We concluded that there was no substantial doubt about the United Counties’ ability to continue as a going concern
11. Management judgments and accounting estimates	CAS 260.16 a.	Significant Accounting practices, judgements and estimates
12. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.	No significant difficulties to report
13. Material written communications between management and us, including management representation letters	CAS 260.16 c.	Management representation letter
14. Other matters that are significant to the oversight of the financial reporting process	CAS 260.16e.	No other matters to report
15. Modifications to our opinion(s)	CAS 260.A21	We will issue an unmodified opinion
16. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	CAS 260.A22	Consultation with other accountants, chartered professional accountants or other experts
17. Significant matters discussed with management	CAS 260.A.22	Consultation with other accountants, chartered professional accountants or other experts
18. Matters involving non-compliance with laws and regulations that come to our attention, unless prohibited by law or regulation, including Illegal or possibly illegal acts that come to our attention	CAS 250.23	We are not aware of any illegal acts or matters involving non-compliance with laws and regulations
19. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	CAS 265	No deficiencies to report
20. Uncorrected misstatements and disclosure items	CAS 450.12-13	No uncorrected misstatements and uncorrected disclosure to report

Appendix 2 – New and Revised Accounting and Auditing Standards

The following is a summary of certain new standards, amendments and proposals that will become effective in 2018 and beyond.

To review all recent amendments that will impact your organization in the foreseeable future, we invite you to review our revamped [Standard section of iasplus.com](#).

Public Sector Accounting Standards

Title ▼	Description	Effective Date
Section 4433 - Tangible capital assets held by not-for-profit organizations	This Section provides guidance on contributed assets and write-downs of assets.	Effective for annual financial statements relating to fiscal years beginning on or after January 1, 2019. Earlier application is permitted.
Section 4434 - Intangible assets held by not-for-profit organizations	This Section provides guidance on contributed assets and write-downs of assets.	Effective for annual financial statements relating to fiscal years beginning on or after January 1, 2019. Earlier application is permitted.
Section 4441 - Collections held by not-for-profit organizations	This Section requires all collections to be recorded on the statement of financial position at either cost or nominal value.	Effective for annual financial statements relating to fiscal years beginning on or after January 1, 2019. Earlier application is permitted. Retrospective application of Section 4441 is required.

Appendix 3 – Deloitte resources a click away

At Deloitte, we are devoted to excellence in the provision of professional services and advice, always focused on client service. We have developed a series of resources, which contain relevant and timely information.

<input type="checkbox"/> Canada's Best Managed Companies www.bestmanagedcompanies.ca	<ul style="list-style-type: none"> • Directors • CEO/CFO 	<p>The Canada's Best Managed Companies designation symbolizes Canadian corporate success: companies focused on their core vision, creating stakeholder value and excelling in the global economy.</p>
<input type="checkbox"/> Centre for financial reporting https://www.iasplus.com/en-ca/standards	<ul style="list-style-type: none"> • Directors • CEO/CFO • Controller • Financial reporting team 	<p>Web site designed by Deloitte to provide the most comprehensive information on the web about financial reporting frameworks used in Canada.</p>
<input type="checkbox"/> Deloitte Viewpoints https://www.iasplus.com/en-ca/tag-types/deloitte-viewpoints	<ul style="list-style-type: none"> • CFO • Controller • Financial reporting team 	<p>Electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.</p>
<input type="checkbox"/> CFO's corner https://www.iasplus.com/en-ca/cfos-corner	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	<p>Editorial providing insights into key trends, developments, issues and challenges executives face, with a Deloitte point of view.</p>
<input type="checkbox"/> Deloitte Dbriefs https://www.iasplus.com/en-ca/dbriefs/webcasts	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	<p>Learning webcasts offered throughout the year featuring our professionals discussing critical issues that affect your business.</p>