



# Municipality of Casselman

2024 Audit Service Plan

Report to the Municipal Council

December 31, 2024

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A dark blue footer banner containing several logos and text elements. On the left is a black mug with the MNP logo. In the center-right are the PRAXITY logo (Empowering Business Globally) and the KINGCENTRIC Best Employer CANADA 2019 award logo. At the bottom, the slogan "Wherever business takes you" is followed by the MNP.ca website address in a white box.

     
Wherever business takes you [MNP.ca](https://www.mnp.ca)



December 10, 2024

Members of the Municipal Council of the  
Municipality of Casselman

Dear Madams, Sirs:

We are pleased to present our Audit Service Plan for the Municipality of Casselman (the "Municipality"). In this plan, we describe MNP's audit approach, our engagement team, the scope of our audit and a timeline of anticipated deliverables. We are providing this Audit Service Plan to the Municipal Council on a confidential basis. It is intended solely for the use of the Municipal Council and is not intended for any other purpose. Accordingly, we disclaim any responsibility to any other party who may rely on this report.

Our audit will include an audit of the Municipality's consolidated financial statements for the year ended December 31, 2024, prepared in accordance with Canadian public sector accounting standards. Our audit will be conducted in accordance with Canadian generally accepted auditing standards.

At MNP, our objective is to perform an efficient, high-quality audit which focuses on those areas that are considered higher risk. We adhere to the highest level of integrity and professionalism. We are dedicated to maintaining open channels of communication throughout this engagement and will work with management to coordinate the effective performance of the engagement. Our goal is to exceed the Municipal Council's expectations and ensure you receive outstanding service.

Additional materials provided along with this report include our Engagement Letter. Our Engagement Letter is the formal written agreement of the terms of our audit engagement as negotiated with management and outlines our responsibilities under Canadian generally accepted auditing standards.

We look forward to discussing our Audit Service Plan with you and look forward to responding to any questions you may have.

Sincerely,

**Licensed Public Accountants**

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# MNP's Client Service Commitment

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To make strategic business decisions with confidence, your stakeholders and the Municipal Council of the Municipality need relevant, reliable and independently audited financial information. But that's not all. You need an audit team that can deliver insight beyond the numbers and enhance the Municipality's strategic planning and implementation processes so you can embrace new opportunities while effectively managing risk. Our audit strategy is risk based, and considers the limitations and opportunities you encounter each day, allowing our recommendations to be implemented with greater ease. Committed to your success, MNP delivers meaningful, reliable financial information to not only help you fulfill your compliance obligations, but also to achieve your key strategic goals.

Our Audit Service Plan outlines the strategy we will follow to provide the Municipality's Municipal Council with our Independent Auditor's Report on the December 31, 2024, consolidated financial statements.

## Topics for Discussion

We are committed to providing superior client service by maintaining effective two-way communication. Topics for discussion include, but are not limited to:

- Changes to your business operations and developments in the financial reporting and regulatory environment
- Business plans and strategies
- The management oversight process
- Any other issues and/or concerns
- Fraud, including how fraud could occur, the risk of fraud and misstatement, and actual suspected or alleged fraud
- Your specific needs and expectations

A summary of required communications with those charged with governance, as outlined by Canadian Auditing Standards (CAS), is included in Appendix A.

# Key Changes and Developments

We would like to draw your attention to the following key external developments that will have an impact on the Municipality and the audit:

Additional Reporting Developments are included in Appendix B.

Other Key Issues and Developments		Summary
	<p><b>New Reporting Developments</b></p>	<p><b>2022-2023 Annual Improvements (Amendments to Section PS 3160 and Section PS 3420)</b></p> <p>In April 2023, the Public Sector Accounting Board (PSAB) issued the first phase of its 2022-2023 annual improvements to correct errors in wording or clarify the PSA Handbook and other guidance. The amendments include:</p> <ul style="list-style-type: none"> <li>• Updates to the transitional provisions in Section PS 3160 Public Private Partnerships to explicitly state that early adoption is permitted; and</li> <li>• Updates to Section PS 3420 Inter-entity Transactions to clarify the application of PSG-8 Purchased Intangibles, to inter-entity transactions.</li> </ul> <p>These amendments became effective immediately when they were published.</p>
		<p><b>2022-2023 Annual Improvements (Amendments)</b></p> <p>In February 2024, the PSAB issued the second phase of its 2022-2023 annual improvements to correct errors in wording or clarify the PSA Handbook and other guidance. The amendments include:</p> <ul style="list-style-type: none"> <li>• Replacing the term “summary financial statements” with “financial reports” in all standards;</li> <li>• Clarifying the Introduction to Public Sector Guidelines and removing outdated guidance related to local governments;</li> <li>• Replacing the term “power” with “ability” or “authority”, as appropriate, to align with the Conceptual Framework Chapter 5;</li> <li>• Correcting grammatical errors in the decision tree in Section PS 3050 Loans Receivable; and</li> <li>• Updating the terminology in many of the standards from “government” to “public sector entity” or “entity”, as appropriate.</li> </ul> <p>These amendments became effective immediately when they were published.</p>

Other Key Issues and Developments	Summary
	<p><b>Public Private Partnerships (New Section PS 3160)</b></p> <p>In April 2021, the Public Sector Accounting Board (PSAB) issued Section PS 3160 Public Private Partnerships, which contains requirements for recognizing, measuring, and classifying infrastructure procured through a public private partnership. The main features of the new Section include:</p> <ul style="list-style-type: none"> <li>• Section PS 3160 applies when public private partnership infrastructure is procured by the public sector entity using a private sector partner that is obligated to: <ul style="list-style-type: none"> <li>- Design, build, acquire or better new or existing infrastructure;</li> <li>- Finance the transaction past the point where the infrastructure is ready for use; and</li> <li>- Operate and/or maintain the infrastructure.</li> </ul> </li> <li>• Public private partnership infrastructure should be recognized as an asset when the public sector entity acquires control of the infrastructure. <ul style="list-style-type: none"> <li>- An infrastructure asset acquired in an exchange transaction should be initially measured at cost, which should be equal to the infrastructure asset’s fair value on the initial measurement date.</li> <li>- The cost of the infrastructure asset would be amortized over the useful life of the asset in a rational and systematic manner.</li> </ul> </li> <li>• A liability, which could be in the form of a financial liability, a performance obligation, or a combination of both, should be recognized when the public private partnership recognizes an asset. <ul style="list-style-type: none"> <li>- When a liability exists, it would be measured at the same value as the asset, reduced for any consideration previously transferred.</li> <li>- Subsequent measurement of a financial liability should be at amortized cost using the effective interest method.</li> <li>- For the subsequent measurement of the performance obligations, the revenues would be recognized, and the liability reduced in accordance with the substance of the public private partnership agreement.</li> </ul> </li> </ul> <p>Section PS 3160 is effective for fiscal years beginning on or after April 1, 2023. Earlier application is permitted.</p>

Other Key Issues and Developments	Summary
	<p><b>Revenue (New Section PS 3400)</b></p> <p>In November 2018, Section PS 3400 Revenue was included in the CPA Canada Public Sector Accounting Handbook. Section PS 3400 establishes standards on how to account for and report on revenue by distinguishing between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The main features of this Section are as follows:</p> <ul style="list-style-type: none"> <li>• Performance obligations are enforceable promises to provide specific goods or services to a specific payor.</li> <li>• Performance obligations can be satisfied at a point in time or over a period of time.</li> <li>• The new standard outlines five indicators to determine if the revenue would be recognized over a period of time.</li> <li>• Revenue from a transaction with a performance obligation(s) is recognized when, or as, the entity has satisfied the performance obligation(s).</li> <li>• Revenue from transactions with no performance obligation is recognized when a public sector entity has the authority to claim or retain an inflow of economic resources and a past event that gives rise to a claim of economic resources has occurred.</li> </ul> <p>Further editorial changes have also been made to other standards as a result of the issuance of PS 3400.</p> <p>Section PS 3400 is effective for annual financial statements relating to fiscal years beginning on or after April 1, 2023. Early application continues to be permitted.</p> <p><b>Narrow Scope Amendments – Purchased Intangibles (New Accounting Guideline PSG-8)</b></p> <p>In November 2020, the Public Sector Accounting Board (PSAB) issued amendments to Section PS 1000 Financial Statement Concepts and Section PS 1201 Financial Statement Presentation. As a consequence, Public Sector Guideline 8 Purchased Intangibles (PSG-8) was issued at the same time.</p> <p>PSG-8 explains the scope of the intangibles allowed to be recognized in financial statements given the removal of the recognition prohibition relating to purchased intangibles in Section PS 1000. The main features of the new Guideline are:</p> <ul style="list-style-type: none"> <li>• A definition of purchased intangibles;</li> </ul>

Other Key Issues and Developments		Summary
		<p><b>Narrow Scope Amendments – Purchased Intangibles (New Accounting Guideline PSG-8) (continued)</b></p> <ul style="list-style-type: none"> <li>• Examples of items that are not purchased intangibles;</li> <li>• References to other guidance in the PSA Handbook on intangibles; and</li> <li>• Reference to the asset definition, general recognition criteria and the Generally Accepted Accounting Principles (GAAP) hierarchy for accounting for purchased intangibles.</li> </ul> <p>The amendments to Section PS 1000 allow for recognition of purchased intangibles in financial statements. The main features of the amendments include:</p> <ul style="list-style-type: none"> <li>• Removal of the prohibition on recognition of purchased intangibles as assets; and</li> <li>• Reference to the new PSG-8.</li> </ul> <p>The amendments to Section PS 1201 remove disclosure requirements for unrecognized purchased intangibles as they are irrelevant given the amendments made to Section PS 1000 allowing recognition of purchased intangibles in financial statements.</p> <p>The amendments to Section PS 1000 and Section PS 1201 and PSG-8 are effective for fiscal years beginning on or after April 1, 2023. Early adoption is permitted. Retroactive or prospective application is permitted.</p>
	<b>New Assurance Developments</b>	<p><b>Joint Policy Statement (JPS) Concerning Communications between Actuaries Involved in the Preparation of Financial Statements and Auditors (Appendix to CAS 500)</b></p> <p>In March 2023, the Auditing and Assurance Standards Board (AASB) appended the Joint Policy Statement Concerning Communications between Actuaries Involved in the Preparation of Financial Statements and Auditors (Statement) to Canadian Auditing Standard (CAS) 500 Audit Evidence in the CPA Canada Handbook – Assurance. The Statement replaces the existing Statement with the same title. The AASB and the Canadian Actuarial Standards Board (ASB) uploaded the revised Statement on the AASB and Canadian institute of Actuaries websites in February 2023. The Statement applies when:</p>

Other Key Issues and Developments	Summary
	<ul style="list-style-type: none"> <li>• An auditor is engaged to carry out an audit of financial statements in accordance with generally accepted auditing standards where the financial statements prepared by management include amounts determined by or with the assistance of an actuary; or</li> <li>• An actuary uses the work of an auditor in connection with conducting the actuarial valuation to determine amounts to be included in the financial statements prepared by management.</li> </ul> <p>The revised Statement includes:</p> <ul style="list-style-type: none"> <li>• Clarifications to its scope;</li> <li>• Clarifications to the use of the other professional’s work and addresses potential inappropriate use of that work;</li> <li>• Enhancements to the discussions between auditors and actuaries, including the written response from the responding professional to the inquiring professional; and</li> <li>• Other enhancements to clarify the Statement.</li> </ul> <p>The revised Statement is effective for communications between the auditor and the actuary initiated on or after March 31, 2023. Early application is permitted.</p>

# Risk Assessment

## Risk Assessment

Based on the preliminary risk assessment procedures performed, we have identified the following significant and high risks which will be addressed during our audit. We have also outlined the proposed audit response to address those risks. We will update our risk assessment as the audit progresses for additional risks identified and will inform management of any additional significant risks identified.

Significant Risk Area	Proposed Audit Response
<p><b>Management override of controls</b></p> <ul style="list-style-type: none"> <li>Under Canadian Auditing Standards, it is the responsibility of management, with the oversight of those charged with governance, to place a strong emphasis on fraud prevention and detection. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process.</li> <li>Management override of controls is present in all entities. It is a risk of material misstatement resulting from fraud and therefore is considered as a significant risk.</li> </ul>	<ul style="list-style-type: none"> <li>We will discuss fraud with management, the Municipal Council and others.</li> <li>We will test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the consolidated financial statements.</li> <li>We will evaluate the business rationale for any significant unusual transactions.</li> <li>We will determine whether the judgments and decisions related to management estimates indicate a possible bias, which will include performing retrospective analysis of significant accounting estimates.</li> </ul>
<p><b>Cut-off of certain types of revenues and expenses</b></p> <ul style="list-style-type: none"> <li>The cut-off of certain types of revenues and expenses, such as capital transactions, is inappropriate.</li> </ul>	<ul style="list-style-type: none"> <li>We will perform detailed testing of accounts receivable, accounts payable and deferred revenues.</li> <li>We will perform tests on subsequent cash receipts and disbursements testing.</li> <li>We will audit the assumptions related to accounts receivable, accounts payable and deferred revenues.</li> </ul>
<p><b>Reserves and reserve funds</b></p> <ul style="list-style-type: none"> <li>Transfers are not approved or approved transfers are not accounted for.</li> </ul>	<ul style="list-style-type: none"> <li>We will do substantive testing of the reserves and reserve funds continuity schedule and of material transactions to determine if transfers are in accordance with the Municipal Council's approvals and/or legislative requirements.</li> </ul>

Significant Risk Area	Proposed Audit Response
<b>Completeness of certain types of revenues</b> <ul style="list-style-type: none"> <li>We have evaluated the revenue transactions, and we have concluded that there is a significant risk that revenues relating to sewer services and garbage and recycling collection have not all been invoiced and/or recorded.</li> </ul>	<ul style="list-style-type: none"> <li>We will audit a selection taken from independent source records in order to ensure that the revenues were properly invoiced and recorded.</li> </ul>
<b>Management estimates</b> <ul style="list-style-type: none"> <li>Management estimates are not realistic or justified.</li> </ul>	<ul style="list-style-type: none"> <li>We will review calculations and assumptions.</li> <li>We will compare last year's actual data with estimates to ensure the estimates are reasonable.</li> <li>We will discuss with management regarding assumptions.</li> <li>We will do an analytical review of related accounts.</li> </ul>

## Key Milestones

Based on the audit planning performed and areas of audit risks identified, the following timelines for key deliverables have been discussed and agreed upon with management:

Key Deliverable	Expected Date
Presentation of December 31, 2024, Audit Service Plan to Municipal Council	December 10, 2024
Interim procedures	December 10 to 13, 2024
Year-end fieldwork procedures	April 21 to May 2, 2025
Draft of December 31, 2024, consolidated financial statements to be discussed with management	May 2025
Presentation of December 31, 2024, Audit Findings Report to Municipal Council	June 10, 2025
Presentation of Management Letter to Municipal Council	June 10, 2025
Issuance of Independent Auditor's Report	June 10, 2025

These dates have been discussed with and agreed upon with Management. Failure to comply with these dates, or failure to provide required information in a timely manner may lead to delays in the Audit and may lead to additional billings due to extended time required on the engagement.

# Audit Materiality

Materiality is an important audit concept. It is 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. Specifically, a misstatement or the aggregate of all misstatements in consolidated financial statements as a whole (and, if applicable, for particular classes of transactions, account balances or disclosures) is considered to be material if it is probable that the decision of the party relying on the consolidated financial statements, who has reasonable understanding of business and economic activities, will be changed or influenced by such a misstatement or the aggregate of all misstatements.

The scope of our audit work is tailored to reflect the relative size of operations of the Municipality and our assessment of the potential for material misstatements in the Municipality's consolidated financial statements as a whole (and, if applicable, for particular classes of transactions, account balances or disclosures). In determining the scope, we emphasize relative audit risk and materiality, and consider a number of factors, including:

- The size, complexity, and growth of the Municipality;
- Changes within the organization, management or accounting systems; and
- Concerns expressed by management.

The scope of our audit work is tailored to reflect the relative size of operations of the Municipality and our assessment of the potential for material misstatements in the Municipality's consolidated financial statements as a whole.

Judgment is applied separately to the determination of materiality in the audit of each set of consolidated financial statements (and, if applicable, for particular classes of transactions, account balances or disclosures) and is affected by our perception of the financial information needs of users of the consolidated financial statements. In this context, it is reasonable to assume that users understand that consolidated financial statements are prepared, presented and audited to levels of materiality; recognize uncertainties inherent in the measurement of amounts based on the use of estimates, judgment and consideration of future events; and make reasonable economic decisions based on the consolidated financial statements. The foregoing factors are taken into account in establishing the materiality level.

Materiality for the current and prior year is detailed in the table below. The basis used for our calculation is 4% (4% in 2023) of budgeted expenses.

2024 Materiality	2023 Materiality
\$600,000	\$450,000

# Audit Team

In order to ensure effective communication between Municipal Council and MNP, we outline below the key members of our audit team that will be responsible for the audit of the Municipality and the role they will play:

Team Members	Contact Information
Gérald Gauthier, CPA, Partner	<a href="mailto:gerald.gauthier@mnp.ca">gerald.gauthier@mnp.ca</a>
Patricia Hernandez, CPA, Manager	<a href="mailto:patricia.hernandez@mnp.ca">patricia.hernandez@mnp.ca</a>
Vincent Conti, CPA candidate, senior auditor	<a href="mailto:vincent.conti@mnp.ca">vincent.conti@mnp.ca</a>
Kelly Kaneza, Assistant Auditor	<a href="mailto:kelly.kaneza@mnp.ca">kelly.kaneza@mnp.ca</a>

In order to serve you better and meet our professional responsibilities, we may find it necessary to expand our audit team to include other MNP professionals whose consultation will assist us to evaluate and resolve complex, difficult and/or contentious matters identified during the course of our audit. Additionally, reliance on specialists including engineers may be necessary to obtain sufficient appropriate audit evidence.



Any changes to the audit team will be discussed with you to ensure a seamless process and that all concerned parties' needs are met.

# Fees and Assumptions

Description	2024 estimate	2023 actual
Base audit fee	\$42,000	\$41,000

If any significant issues arise during the course of our audit work which indicate a possibility of increased procedures or a change in the audit timetable, these will be discussed with management by the engagement partner, so a mutually agreeable solution can be reached.

# 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><b>AUDIT SERVICE PLAN</b></p> <ul style="list-style-type: none"> <li>• How the firm’s system of quality management supports the consistent performance of quality audit engagements.</li> <li>• Our responsibilities in relation to the financial statement audit, including forming and expressing an opinion on the financial statements.</li> <li>• An overview of the planned scope and timing of the audit, including communication of significant risks identified by the audit team.</li> </ul>	<p>CSQM 1.34(e)</p> <p>CAS 260.14</p> <p>CAS 260.15</p>
<p><b>INQUIRY IN THE COURSE OF THE AUDIT</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Knowledge of any actual, suspected or alleged fraud affecting the Municipality.</li> <li>• Whether the Municipality is in compliance with laws and regulations.</li> <li>• Whether any subsequent events have occurred which might affect the financial statements.</li> </ul>	<p>CAS 240.21</p> <p>CAS 240.22</p> <p>CAS 250.15</p> <p>CAS 560.7(b)</p>

Required Communication	Reference
<b>AUDIT FINDINGS AND FINALIZATION</b>	
<ul style="list-style-type: none"> <li>Any modification to our audit plan and strategy</li> </ul>	CAS 260.A26
<ul style="list-style-type: none"> <li>Fraud or suspected fraud identified through the audit process.</li> </ul>	CAS 240.40 - .42 CAS 600.57(d)
<ul style="list-style-type: none"> <li>Matters involving non-compliance with laws and regulations identified through the audit process, unless prohibited by law or regulation.</li> </ul>	CAS 250.23
<ul style="list-style-type: none"> <li>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"> <li>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 the Municipality.</li> </ul> </li> </ul>	CAS 260.16(a), CAS 260 Appendix 2
<ul style="list-style-type: none"> <li>Significant difficulties, if any, encountered during the audit.</li> </ul>	CAS 260.16(b)
<ul style="list-style-type: none"> <li>Significant matters arising during the audit that were discussed or subject to correspondence, with management and the associated written representations requested of management.</li> </ul>	CAS 260.16(c)
<ul style="list-style-type: none"> <li>Circumstances that affect the form and content of the auditor's report.</li> </ul>	CAS 260.16(d)
<ul style="list-style-type: none"> <li>Any other significant matters arising during the audit that, in our professional judgment, are relevant to the oversight of the financial reporting process.</li> </ul>	CAS 260.16(e)
<ul style="list-style-type: none"> <li>A statement of our compliance with relevant ethical requirements regarding independence, including disclosure of: <ul style="list-style-type: none"> <li>All relationships or matters that in the auditor's professional judgment, may reasonably be thought to bear on independence, and</li> <li>The related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.</li> </ul> </li> </ul>	CAS 260.C17, A32
<ul style="list-style-type: none"> <li>Significant deficiencies in internal control identified during the audit.</li> </ul>	CAS 265.9
<ul style="list-style-type: none"> <li>Uncorrected misstatements and the effect that they, individually or in aggregate, may have on the opinion in the auditor's report.</li> </ul>	CAS 450.12 - .13, CAS 510.7, CAS 710.18

<ul style="list-style-type: none"> <li>Significant matters arising during the audit in connection with the Municipality's related parties.</li> </ul>	CAS 550.27
<b>Required Communication</b>	<b>Reference</b>
<b>AUDIT FINDINGS AND FINALIZATION (continued)</b> <ul style="list-style-type: none"> <li>Events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern.</li> </ul>	CAS 570.25

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.

# Appendix B – Key Changes and Developments

We would like to bring to your attention the following accounting and auditing developments, which may have some impact on your financial reporting in future years.

Issues and Developments Summary	
	<p><b>New Reporting Developments</b></p> <p><i>Effective for annual periods beginning on or after April 1, 2026</i></p> <p><b>Concepts Underlying Financial Performance (New Conceptual Framework for Financial Reporting in the Public Sector)</b></p> <p>In December 2022, the Public Sector Accounting Board (PSAB) issued the Conceptual Framework for Financial Reporting in the Public Sector (the Conceptual Framework) which replaces conceptual aspects of Section PS 1000 Financial Statement Concepts and Section PS 1100 Financial Statement Objectives.</p> <p>The Conceptual Framework outlines:</p> <ul style="list-style-type: none"> <li>• Characteristics of public sector entities;</li> <li>• The objective of financial reporting;</li> <li>• Primary users of financial reporting and their expectations;</li> <li>• The role, foundations and objectives of financial statements;</li> <li>• Qualitative characteristics of information in financial statements and related considerations;</li> <li>• Definitions of elements;</li> <li>• Criteria of general recognition and derecognition; and</li> <li>• Concepts of general measurement and presentation.</li> </ul> <p>The Conceptual Framework applies for fiscal years beginning on or after April 1, 2026, with earlier adoption permitted.</p> <p>As a result of the issuance of the Conceptual Framework, various Sections and Guidelines of the PSA Handbook have been withdrawn or amended. Most notably, Section PS 1000 and Section PS 1100 have been withdrawn and replaced with the Conceptual Framework.</p> <p>Other consequential amendments include updates to:</p> <ul style="list-style-type: none"> <li>• References to the Conceptual Framework</li> <li>• The Introduction to the Public Sector Accounting Handbook</li> <li>• Section PS 1150 Generally Accepted Accounting Principles</li> <li>• Section PS 1201 Financial Statement Presentation</li> <li>• Section PS 1300 Government Reporting Entity</li> </ul>

## Issues and Developments Summary

### **Concepts Underlying Financial Performance (New Conceptual Framework for Financial Reporting in the Public Sector) (continued)**

- Section PS 2100 Disclosure of Accounting Policies
- Section PS 2120 Accounting Changes
- Section PS 2130 Measurement Uncertainty
- Section PS 2200 Related Party Disclosures
- Section PS 3150 Tangible Capital Assets
- Section PS 3200 Liabilities
- Section PS 3210 Assets
- Section PS 3400 Revenue
- Section PS 3430 Restructuring Transactions
- Section PS 3450 Financial Instruments
- Section PS 4230 Capital Assets Held by Not-for-Profit Organizations

### **New Reporting Developments**

*Effective for annual periods beginning on or after April 1, 2026*

#### **Concepts Underlying Financial Performance (New Section PS 1202)**

In October 2023, the Public Sector Accounting Board (PSAB) issued Section PS 1202 Financial Statement Presentation which replaces PS 1201 Financial Statement Presentation.

The new Section PS 1202:

- Discusses going concern that builds on the discussion in The Conceptual Framework for Financial Reporting in the Public Sector;
- Changes the statement of financial position by:
  - Relocating the calculation of the net financial liabilities (formerly known as “net debt”) or net financial assets indicator, to its own statement;
  - Introducing two categories of liabilities: financial and non-financial;
  - Adding a third component of net assets or net liabilities: “accumulated other”;
  - Updating the definition of “non-financial assets”;
  - Restructuring the statement to present assets, followed by liabilities, followed by net assets or net liabilities; and
  - Providing an option to show the net financial assets or net financial liabilities indicator below the indicator of financial position, with reference to the statement of net financial assets or net financial liabilities;
- Adds a statement of net financial assets or net financial liabilities that presents the revised net financial assets or net financial liabilities calculation;
- Provides the option to present the change in net financial assets or net financial liabilities on the statement of net financial assets or net financial liabilities;
- Includes a statement of operations similar to the one in superseded Section PS 1201;

## Issues and Developments Summary

### **Concepts Underlying Financial Performance (New Section PS 1202) (continued)**

- Permits presenting an amended budget only when there is an election or when the majority of the governing body of a government organization has been newly elected or appointed;
- Adds the statement of changes in net assets or net liabilities that includes a reconciliation of each component of net assets or net liabilities and incorporates what is required in superseded Section PS 1201 to be included in the statement of remeasurement of gains and losses;
- Isolates financing activities in the statement of cash flow; and
- Includes guidance in various appendices in the form of application guidance, decision trees, illustrative examples and illustrative financial statements.

Section PS 1202 applies to fiscal years beginning on or after April 1, 2026. Earlier adoption is permitted only if the Conceptual Framework is also adopted at the same time. Prior period amounts would need to be restated to conform to the presentation requirements for comparative financial information in Section PS 1202.

Various consequential amendments resulting from the issuance of Section PS 1202 have also been issued. These include various Sections and Guidelines of the PSA Handbook that have been withdrawn or amended.

# Appendix C – The Audit Process

Our audit process focuses on significant risks identified during the pre-planning and planning and risk assessment stage, ensuring that audit procedures are tailored to your specific circumstances and appropriately address those risks.

The Municipal Council is responsible for approval of the consolidated financial statements and Municipality policies, and for monitoring management's performance. The Municipal Council should consider the potential for management override of controls or other inappropriate influences, such as earnings management, over the financial reporting process. The Municipal Council, together with management, is also responsible for the integrity of the accounting and financial reporting systems, including controls to prevent and detect fraud and misstatement, and to monitor compliance with relevant laws and regulations.

Effective discharge of these respective responsibilities is directed toward a common duty to provide appropriate and adequate financial accountability, and quality financial disclosure.

Key responsibilities of MNP and management are outlined in the Engagement Letter (see attached).

Our overall audit strategy is risk-based and controls-oriented. Assessment and identification of risk is performed continuously throughout the audit process. We focus on the risks that have a potential impact on the financial accounting systems and subsequent financial reporting.

Our overall audit strategy does not, and is not intended to, involve the authentication of documents, nor are our team members trained or expected to be experts in such authentication. Unless we have reason to believe otherwise, we accept records and documents as genuine. The subsequent discovery of a material misstatement resulting from fraud does not, in and of itself, indicate a failure to comply with Canadian generally accepted auditing standards.

## Audit Procedures

To meet our responsibilities in accordance with Canadian generally accepted auditing standards, our audit examination includes:

- Obtaining an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal controls, in order to identify and assess the risk that the consolidated financial statements contain material misstatements due to fraud or misstatement;
- Assessing the design and implementation and examining, on a test basis, the key controls over significant transaction streams and over the general organizational and computer environments;
- Assessing the systems used to ensure compliance with applicable legislative and related authorities pertaining to financial reporting, revenue raising, borrowing, and investing activities;
- Examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessing the appropriateness and consistency of accounting principles used and their application;
- Assessing the significant estimates used by management; and,
- Assessing the entity's use of the going concern basis of accounting in the preparation of the consolidated financial statements.

As part of our planning process, we will also undertake to inform Municipal Council of concerns relating to management’s implementation and maintenance of controls, and the effects of any such concerns on the overall strategy and scope of the audit. These concerns might arise from the nature, extent and frequency of management’s assessments of controls in place to detect fraud and misstatement, and of the risk that the consolidated financial statements may be misstated; from a failure by management to appropriately address significant deficiencies in controls identified in prior audits; and, from our evaluation of the Municipality’s control environment, and management’s competence and integrity.

## Overall Reliance

Control Reliance Level	Low/None	Moderate	High
<b>Description</b>	Where we cannot rely on controls because they are weak or absent, or where it is deemed to be more efficient to carry out a high level of direct substantive tests of details. Audit evidence is primarily obtained through detailed verification procedures and sufficient substantive tests of details.	Where there are some deficiencies in systems application or procedural controls, or where it is deemed to be inefficient to test systems application controls, but where we can test and rely on the management monitoring systems in place to detect and correct material misstatements in the financial reporting systems. Testing of controls is supplemented with a moderate level of substantive tests of details.	Where a high degree of control is in place in the areas of management monitoring controls AND systems application and procedural controls. Our audit work focuses on testing both management monitoring and systems application and procedural controls, and is supplemented with a low level of substantive tests of details.
<b>Planned Reliance</b>		—	—

For the December 31, 2024, audit, we are planning to place no reliance on the Municipality’s controls. This level of reliance is consistent with the prior year, and will involve mainly substantive tests of details.

The amount of substantive work will be reduced for cycles where there are controls in place that MNP can test and rely on.



As part of our audit work, we will update our understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal controls relevant to our audit of the principal transaction cycles, sufficient to identify and assess the risks of material misstatement of the consolidated financial statements resulting from fraud or misstatement. This will be accomplished through inquiries with management and others within the entity, analytical procedures and observation and inspection. Furthermore, we will consider whether effective controls have been established to adequately respond to the risks arising from the use of IT or manual systems and test the operation of those controls to an extent sufficient to enable us to reduce our substantive work. Our review of the Municipality's controls will not be sufficient to express an opinion as to their effectiveness or efficiency. Although we will provide the Municipal Council with any information about significant deficiencies in internal control that have come to our attention, we may not be aware of all the significant deficiencies in internal control that do, in fact, exist.

## Inherent Limitations in the Auditing Process

An auditor cannot obtain absolute assurance that material misstatements in the consolidated financial statements will be detected due to factors such as the use of significant judgment regarding the gathering of evidence and the drawing of conclusions based on the audit evidence acquired; the use of testing of the data underlying the consolidated financial statements; inherent limitations of controls; and, the fact that much of the audit evidence available to the auditor is persuasive, rather than conclusive in nature.

Because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material fraud. While effective controls reduce the likelihood that misstatements will occur and remain undetected, they do not eliminate that possibility. Therefore, the auditor cannot guarantee that fraud, misstatements and non-compliance with laws and regulations, if present, will be detected when conducting an audit in accordance with Canadian generally accepted auditing standards.

The likelihood of not detecting material misstatements resulting from management fraud is greater than for employee fraud, because management is in a position to manipulate records, present fraudulent information or override controls.

We will inform the appropriate level of management or the Municipal Council with respect to identified:

- Misstatements resulting from errors, other than clearly trivial misstatements;
- Fraud, or any information obtained that indicates that fraud may exist;
- Evidence obtained that indicates non-compliance or possible non-compliance with laws and regulations, other than that considered inconsequential;
- Significant deficiencies in the design or implementation of controls to prevent and detect fraud or misstatement; and

- Related party transactions that are not in the normal course of operations and that involve significant judgments made by management concerning measurement or disclosure.

Our concern as auditors is with material misstatements, and thus, we are not responsible for the detection of misstatements that are not material to the consolidated financial statements taken as a whole.

# Appendix D – Auditor Independence

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## Auditor Independence

An essential aspect of all our services to the Municipality is an independent viewpoint, which recognizes that our responsibilities are to the members. While the concept of independence demands a questioning and objective attitude in conducting our audit, it also requires the absence of financial or other interests in the Municipality. In accordance with our firm’s policy, and the Code of Professional Conduct, which govern our profession, neither MNP nor any of its team members assigned to the engagement or any of its partners, are permitted to have any involvement in or relationship with the Municipality that would impair independence or give that appearance. As auditors, we subscribe to the highest standards and are required to discuss the auditor’s independence with Municipal Council on an annual basis. Under the standard an auditor shall:

- Disclose to the Municipal Council in writing, all relationships between the auditor and the Municipality that in the auditor’s professional judgment may reasonably be thought to bear on our independence;
- Confirm in writing that, in its professional judgment, MNP is independent within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario;
- Discuss the auditor’s independence with the Municipal Council.

We confirm that we are independent with council and management. We will reconfirm our independence in a letter with the auditor’s findings and the consolidated financial statements.

During the course of the audit, we will communicate any significant new matters that come to our attention that, in our professional judgment, may reasonably be thought to bear on our independence.

# Engagement Letter

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(See Attached)

# MADE <sup>IN</sup> 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.



Wherever business takes you

MNP.ca



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