



January 14, 2025

The Corporation of the Township of East Garafraxa  
065371 Dufferin County Road 3, Unit 2  
East Garafraxa, ON  
L9W 7J8

Dear Members of Council:

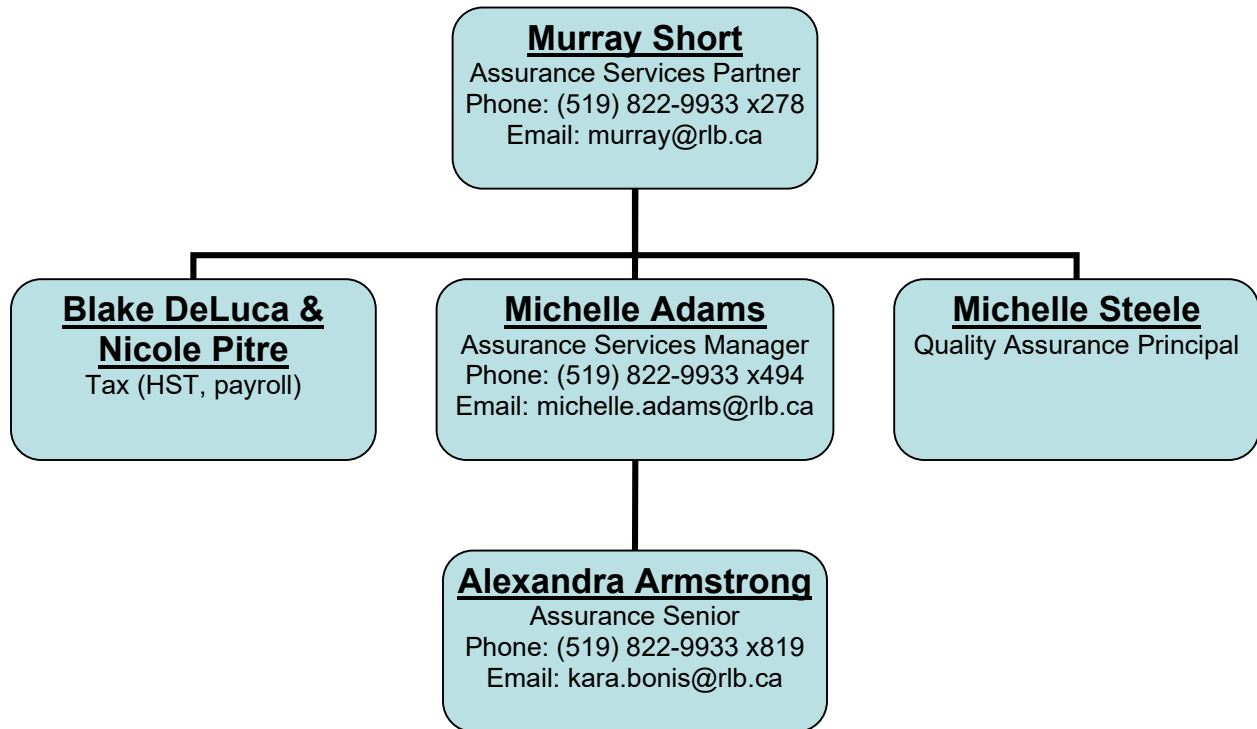
Thank you for re-appointing RLB LLP as auditors of The Corporation of the Township of East Garafraxa for the year ended December 31, 2024. The purpose of this letter is to communicate our 2024 audit plan for The Corporation of the Township of East Garafraxa and to ensure that management and Council are aware of the following:

- Objectives and scope of our audit
- Planned approach for the 2024 financial statement audit
- Update on issues that may impact the audit in current and future years
- Areas of emphasis

**RLB LLP's Objectives and Scope of our Audit**

- Obtain reasonable assurance that the financial statements are free of material misstatement
- Evaluate the fairness of presentation of the financial statements in conformity with accounting standards established by the Chartered Professional Accountants of Canada
- Report to management and Council:
  - Significant internal control weaknesses
  - Matters required under Canadian Auditing Standards
  - Matters we believe should be brought to your attention

## RLB LLP's Assurance Service Team



## Financial Reporting Responsibilities

### *Council*

- Provide, as a part of financial process, effective corporate governance
- Regular oversight and review of financial information and management's financial processes
- Ensure accurate financial reporting and sound internal controls
- Review performance measures
- Approve the Audited Financial Statements

### *Management*

- Maintain cost-effective internal control environment
- Provide timely and accurate disclosure of financial results
- Report results on a fair and consistent basis
- Exercise care in establishing accounting estimates
- Apply appropriate accounting principles
- Establish internal controls over fraud and error

### *RLB LLP*

- Perform cost-effective risk based audits tailored for your organization's specific risks
- Review the effectiveness and reliability of key internal controls
- Assess accounting principles, estimates and financial disclosures in accordance with accounting standards
- Provide year end reporting to Council
- Provide our opinion in the audit report which we attach to management financial statements

## Management Deliverables

- Prepare required information as agreed with RLB LLP to be able to perform the audit
- Provide documentation and support for accounting used by management for all significant or unusual transactions and estimates
- Prepare and file Financial Information Return
- Identify related parties, if applicable
- Provide written representations

## RLB LLP Deliverables

- Communicate with management and Council to review audit plan
- Review financial statements and management letter findings with management and Council
- Provide audit opinion on financial statements
- Report to the Council as required under Canadian Generally Accepted Auditing Standards (CAS 260, 265 and 580)
- Seek pre-approval from management or Council for all additional services
- Communicate control deficiencies

## Audit Approach

- Examine accounting systems and controls for all significant transaction cycles
- Adopt a control reliance strategy, where appropriate, to increase audit efficiency:
  - Taxation revenue, cash receipts, taxes receivable
  - Purchases, disbursements, payables
  - Payroll
- Gain an understanding of general computer controls and their impact on our audit
- Substantive testing of year end balances including grant revenue and receivables
- Search for unrecorded liabilities
- Independence reporting

## Audit Timeline

Interim Audit Testing	December 13, 2024
Communication of Audit Plan to Management/Council	January 14, 2025
Year-end Testing	March 31 – April 4, 2025
Reporting to Council	TBD
Issuance of Audit Report and Financial Statements	To follow Council approval

## **Annual Inquiry Related to the Risk of Fraud**

Please consider the following questions to help determine the specific risks of fraud and error with the municipality. We will provide the annual representation letter for signature by a member of each Council and management with the audited Financial Statements, where representation will be made regarding the assessment of fraud at the municipality.

- Are you aware of any instances of fraud perpetrated against the municipality by any of its employees, management, or Council?
- Are you aware of any instances of fraud perpetrated by the municipality against creditors, suppliers, lenders, investors, funders, government agencies, or any other business associates?
- Do you believe there is a high level of risk of fraud being perpetrated against or by the municipality – specifically, which risks are classified as the highest risk, and what specifically is management or Council doing to mitigate these risks?
- Has Council made an assessment of the entity's susceptibility to fraud?
- Does management have a process for identifying and responding to fraud risk factors?

If you have any information to report to us on the above, please contact Murray Short or Michelle Adams at 519-822-9933.

## **New Public Sector Accounting Standards**

*These are effective for fiscal 2024, but no significant impact is anticipated:*

- PS 3400: Revenue – describes how to account for and report on revenue and specifically differentiates between revenue arising from transactions including and excluding performance obligations.
- PSG-8: Purchased Intangibles – describes the scope of intangibles that are now allowed to be recognized in the financial statements.
- PS 3160: Public private partnerships – establishes standards for the recognition, measurement, presentation, and disclosure for public private partnership arrangements.

*These are effective for fiscal years beginning on or after April 1, 2026:*

- The Conceptual Framework for Financial Reporting in the Public Sector – defines a conceptual framework and provides additional guidance on the role of financial statements and the objectives of financial reporting.
- PS 1202: Financial Statement Presentation – sets out general and specific requirements for the presentation of information in the financial statements including the identification of financial and non-financial liabilities.

## 2024 Audit Plan: Materiality

When establishing the overall audit strategy, materiality is determined for assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures.

- Planning Materiality - \$170,000
- Materiality
  - Professional judgment that is made in the context of our knowledge, assessment of risk and reporting requirements
  - Very significant in determining the scope of our work
  - We will review all errors in excess of 2% of materiality

## Areas of Emphasis

- Taxation revenue and receivables - collectability
- Grant revenue and receivables - completeness and existence
- Operating expenses - completeness and existence
- Tangible capital assets - completeness, existence and valuation
- Reserve, reserve funds and amounts set aside by Council - completeness and existence

If you have any questions about these or other matters relating to any of our professional services, we would be pleased to discuss them further with you.

Yours truly,

**RLB LLP**

Per:

A handwritten signature in black ink, appearing to read "Murray Short". The signature is written in a cursive, flowing style.

Murray Short, MBA, CPA, CA, C. Dir.  
Engagement Partner