

January 22, 2021

The Corporation of the Town of Orangeville  
87 Broadway  
Orangeville, ON  
L9W 1K1

Dear Members of Council:

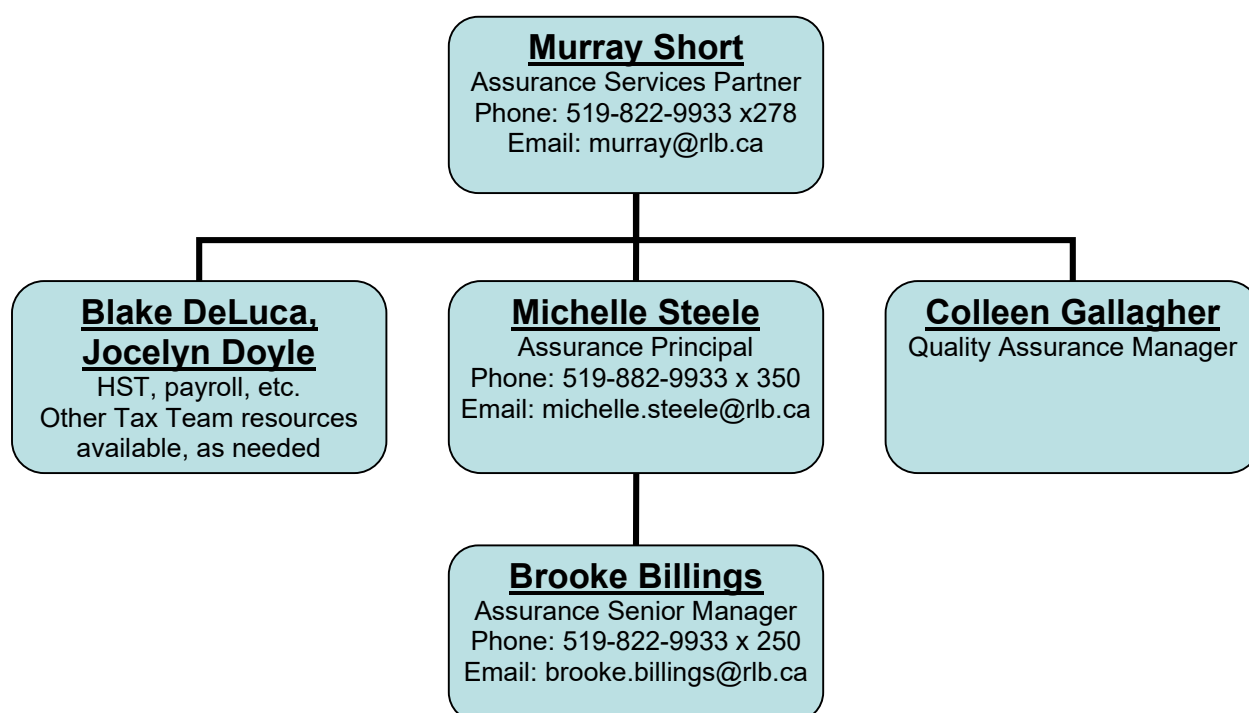
Thank you for re-appointing RLB LLP as auditors of The Corporation of the Town of Orangeville for the year ended December 31, 2020. The purpose of this letter is to communicate our 2020 audit plan for The Corporation of the Town of Orangeville and to ensure that management and Council are aware of the following:

- Objectives and scope of our audit
- Planned approach for the 2020 financial statement audit
- Update on issues that may impact the audit in current and future years
- Areas of emphasis

**RLB LLP's Objective 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 financial process
- 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
- 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
- Prepare and file Financial Information Return
- Report to 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
  - General computer controls
- Substantive testing of year end balances including grant revenue and receivables
- Search for unrecorded liabilities
- Independence reporting

## Audit Timeline

Interim Audit Testing	November 16-17, 2019
Communication of Audit Plan to Management/Council	January 22, 2021
Year-end Testing	March 8-19, 2020
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 those charged with governance 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 Steele at 519-822-9933.

## **New Public Sector Accounting Standards**

There are no significant impacts anticipated from new standards on the financial reporting of your municipality for 2020.

*These are effective for fiscal years beginning on or after April 1, 2022:*

- PS1201: Financial Statement Presentation – expands the requirements for financial statement presentation and disclosure for various categories: financial assets, non-financial assets, revenues, expenses, and losses arising from asset impairment and changes in valuation allowances
- PS2601: Foreign Currency Translation – describes accounting treatment for foreign currency transactions, and how they should be presented and disclosed
- PS3041: Portfolio Investments – defines portfolio investments, and describes accounting treatment and disclosure requirements
- PS3450: Financial Instruments – requires additional disclosure in the notes to the Financial Statements to include the various risk components of financial instruments: credit risk, currency risk, interest rate risk, liquidity and market risk
- PS3280: Asset Retirement Obligations – describes criteria if there is a legal obligation to remove the tangible capital asset and if the entity controls the tangible capital asset to be retired

*These are effective for fiscal years beginning on or after April 1, 2023:*

- PS3400: Revenue – describes how to account for and report on revenue and specifically differentiates between revenue arising from transactions including and excluding performance obligations

## 2020 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 - \$1,800,000
- 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", written in a cursive style.

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