



Wheatland County

2020 Audit Service Plan
Report to Council
December 31, 2020

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AUDIT SERVICE PLAN OVERVIEW

We are pleased to present our Audit Service Plan for Wheatland County ("the County") which outlines the strategy we will follow to provide the County's Council with our Independent Auditor's Report on the December 31, 2020 financial statements. We are providing this Audit Service Plan to Council on a confidential basis. It is intended solely for the use of Council and is not intended for any other purpose. Accordingly, we disclaim any responsibility to any other party who may rely on this report.

We confirm to Council that we are independent of the County. Our letter to Council discussing our independence is included at the end of this report.

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
- Any other issues and/or concerns
- Fraud, including how fraud could occur, the risk of fraud and misstatement, and any actual, suspected or alleged fraud
- The management oversight process
- Your specific needs and expectations

THE MNP AUDIT APPROACH

AUDIT MATERIALITY

The scope of our audit work is tailored to reflect the relative size of operations of the County and our assessment of the potential for material misstatements in the County's 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 County;
- Changes within the organization, management or accounting systems; and
- Concerns expressed by management.


We propose to use 4% of the 2020 estimated \$37.5 million revenue revenue (\$1,100,000) as overall materiality for audit planning purposes.



AUDITOR'S APPROACH TO INTERNAL CONTROL

For the December 31, 2020 audit, we are planning to place low reliance on the County's accounting system. This level of reliance will involve mainly substantive tests of transactions and balances. MNP will review internal control processes within the County and ensure that key controls are working as described. MNP will compile its observations with respect to key internal controls and report to management. During the course of the audit, if it is determined that MNP can place moderate reliance on the County's accounting system, some procedures may be altered to reflect this reliance.

KEY CHANGES AND DEVELOPMENTS

Based on our knowledge of the County and our discussions with management, we have noted the recent developments set out below. Our audit strategy has been developed giving consideration to these factors.

ISSUES AND DEVELOPMENTS	SUMMARY
 ENTITY SPECIFIC	Acquisition of the Lakes of Muirfield development, which will affect the County's balance sheet and contributed capital asset revenue.

ISSUES AND DEVELOPMENTS	SUMMARY
 NEW REPORTING DEVELOPMENTS	<ul style="list-style-type: none"> • PS 3280 Asset Retirement Obligations (effective for the County's 2023 fiscal year). This was implementation date was amended in the current year. • PS 3400 Revenue (effective for the County's 2024 fiscal year) • PS Sections 1201, 2601, 3041 and 3450 are all to be adopted simultaneously. These sections were initially proposed to be effective as of 2015. They are all expected to be effective for your 2023 fiscal year. • PS 1201 Financial Statement Presentation PS 2601 Foreign Currency Translation PS 3041 Portfolio Investments PS 3450 Financial Instruments
 OTHER MATTERS	<p>In the current fiscal year, there was a Global Pandemic of COVID-19, which affected the world as whole. Some reporting and disclosure requirements will be necessary with respect to COVID-19.</p>

RISK ASSESSMENT

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.

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
Capital assets Risk that capital asset additions are incorrectly recorded as an expense or transferred in and not capitalized.	Review of expenses, capital additions and any transfers within the County.
Inventories Risk that the gravel inventory may not be recorded correctly with respect to the existence and its cost on the books.	Examination of gravel inventory volume on hand at year end. Recalculation of costs based on recent crush costs per Tonne and other ancillary costs incurred for the various specifications of gravel on hand.
Asset retirement obligations (ARO) Risk that AROs or environmental liabilities may not be correctly recorded, or disclosed in the financial statements.	Review of supporting documents, studies and expert reports for management's assessment about the existence and extent of AROs or environmental liabilities that may exist.

SIGNIFICANT RISK AREA	PROPOSED AUDIT RESPONSE
Government transfers (for operations and capital) Risk of management error in determining whether a grant or externally restricted amount should be deferred.	Grant revenues are confirmed by contribution type (operating or capital), and amount with the Government of Alberta. Amounts recorded as revenue are in accordance with the underlying agreements.
Deferred revenue and restricted contributions Risk of error in determining whether a grant or externally restricted amount should be deferred.	Grant revenue is agreed to government confirmations, related expenditures are tested substantively.
Deferred revenue and restricted contributions Risk of over or understating deferred revenue to balance to the budget.	Contributed amounts verified by reference to the agreement terms to ensure recorded in accordance with their stipulations
Payroll Risk that employees are being paid incorrectly.	Review of employee contracts, pay rates and payroll registers. Substantive testing of individuals and payroll runs during the year. Examination of journal entries affecting payroll accounts during the year
Reserves Risk of unauthorized transfers made from the reserve accounts.	Review of transfers made and ensuring proper authorization and documentation.

AUDIT TEAM

Team member continuity is important in developing a solid relationship with the County, as well as to understanding your business, risks and processes. We also know team member turnover results in lost knowledge. While some team member transition likely is inevitable, we work at reducing this through our promoting practices, learning and training, working closely with team members on career growth and development, and valuing our professionals.

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

RETURNING TEAM MEMBERS	CONTACT INFORMATION
Shaun Pilling, CPA, CA, CAFM, Engagement Partner	E: Shaun.Pilling@mnp.ca
Tracy Noullett, CPA, CA, Quality Assurance Partner	E: Tracy.Noullett@mnp.ca
Cameron LaRocque, CPA, Engagement Manager	E: Cameron.LaRocque@mnp.ca
Kendra Schmidt , Accountant	E: Kendra.Schmidt@mnp.ca

NEW TEAM MEMBERS	CONTACT INFORMATION
Steven Joseph , Senior Accountant	E: Steven.Joseph@mnp.ca

Our partners and senior management are committed to providing you with the highest level of attention and oversight throughout the terms of this engagement, reflecting MNP's staffing model and client service philosophy. Through consistent attention from leaders, our engagement team will maintain responsibility and authority over all matters of the engagement and will drive service delivery and issue resolution. In addition, the engagement team will be actively involved and have hands-on involvement with service delivery, ensuring engagement objectives will be met.

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 such as property tax assessors may be necessary to obtain 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.

TIMING OF THE AUDIT

KEY DELIVERABLE	EXPECTED DATE
Interim fieldwork procedures	December 7, 2020 to December 12, 2020
Year-end fieldwork procedures	March 1, 2021 to March 19, 2021
Draft year-end financial statements to be discussed with management	March 31, 2021
Presentation of December 31, 2020 Audit Findings Report to Council	April 21, 2021
Presentation of Management Letter to Council	April 21, 2021
Issuance of Independent Auditor's Report	April 21, 2021

FEES AND ASSUMPTIONS

DESCRIPTION	2020 ESTIMATE
Audit of the Consolidated Financial Statements of the County	\$ 22,800
Audit of Municipal Financial Information Return	\$ 2,900
Audit of Local Authorities Pension Plan (LAPP)	\$ 2,900
Total	\$ 28,600

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.

We look forward to discussing our Audit Service Plan with you, as well as any other matters of interest to you.

Sincerely,

A handwritten signature in black ink that reads "MNP LLP". The letters are stylized and cursive.

Chartered Professional Accountants

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