

The Corporation of the Nation Municipality

Audit planning communication to the municipal
council for the year ended December 31, 2024

START



To The Municipal Council of The Nation Municipality

We are pleased to provide you with this planning communication to highlight and explain key issues which we believe to be relevant to the audit of The Nation Municipality (the “the Municipality ”) financial statements for the year ended December 31, 2024.

The enclosed planning communication includes our approach to your audit, the significant risks we have identified and the terms of our engagement. At the year-end meeting, we will provide you with a copy of our draft audit opinion and discuss the nature, extent and results of our audit work. We will also communicate any significant internal control deficiencies identified during our audit and reconfirm our independence.

Our audit and therefore this communication will not necessarily identify all matters that may be of interest to the municipal council in fulfilling its responsibilities. This communication has been prepared solely for the use of the municipal council and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We look forward to completing our draft audit report opinion and discussing our conclusions with you. In the meantime, please feel free to contact us if you have any questions or concerns.

Yours truly,

BDO Canada LLP



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Audit timeline



For the year ended December 31, 2024



BDO'S DIGITAL AUDIT SUITE

APT Next Gen

We use our APT Next Gen software and documentation tool to save time, streamline processes, and go paperless with your audit.

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Auditor's responsibilities: financial statements

We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management, with oversight by those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. The scope of our work, as confirmed in our engagement letter attached as Appendix A to this letter, is set out below:

Year-End Audit Work

- ▶ Work with management towards the timely issuance of the financial statements.
- ▶ Provide timely and constructive management letters. This will include deficiencies in internal control identified during our audit.
- ▶ Present significant findings to the municipal council including key audit and accounting issues, any significant deficiencies in internal control and any other significant matters arising from our work.



We are required to obtain an understanding of the system of internal control in place in order to consider the adequacy of these controls as a basis for the preparation of the financial statements, to determine whether adequate accounting records have been maintained and to assess the adequacy of these controls and records as a basis upon which to design and undertake our audit testing.

We are required to report to you in writing about any significant deficiencies in internal control that we have identified during the audit.



Auditor's responsibilities: fraud

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud, by:

- ▶ Identifying and assessing the risks of material misstatement due to fraud;
- ▶ Obtaining sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- ▶ Responding appropriately to fraud or suspected fraud identified during the audit.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

Behind the audit report



Learn how we audit your financial statements

[SEE OUR PROCESS](#)



Auditor's responsibilities: fraud

Throughout our planning process, we performed risk assessment procedures and related activities to obtain an understanding of the entity and its environment, including the Partnership's internal control, to obtain information for use in identifying the risks of material misstatement due to fraud and made inquiries of management regarding:

- ▶ Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;
- ▶ Management's process for identifying and responding to the risks of fraud in the Municipality , including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
- ▶ Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in The Nation Municipality ; and
- ▶ Management's communication, if any, to employees regarding its view on business practices and ethical behavior.

We are not aware of fraud affecting the Municipality. If you have become aware of changes to processes or are aware of any instances of actual, suspected, or alleged fraud since our discussions held at planning, please let us know.



Significant risks and planned responses

We have identified the following significant risks that require special audit consideration. These risks were identified based on our knowledge of the Municipality, our past experience, and input from management and the municipal council. Please review these significant risks and let us know your thoughts on these or any other areas of concern.

| Financial statement areas | Risks noted | Audit approach |
|--|--|--|
| Revenue recognition | According to Canadian auditing standards, audits must involve significant revenue recognition risk. | We will review the journal entries and adjustments to tax revenues. |
| Resident Employee Services | Risk that resident employees manipulate their own municipal tax rates and user fees. | We will review the rates charged to resident employees. |
| Override of controls by management | Management override of controls is a standard risk in all audits. | We will conduct a review of journal entries, incorporate an element of unpredictability, and perform audit work listed in the fraud section. |
| Asset Retirement Obligations | Risk over the liability associated with the asset retirement obligation being estimated incorrectly. | We will perform a reasonability test over the estimate as well as corroborate inputs used in the analysis to supporting documentation. |
| Public Private Partnerships - other area of interest | PS 3160 came into effect on April 1, 2023. The standard requires public sector entities to recognize and measure infrastructure assets and corresponding liabilities in public-private partnership arrangements when specific criteria are met | We will review management's assessment on the applicability of the new standard. If applicable, we will assess whether the infrastructure assets and corresponding liabilities were accurately recognized and measured in accordance with PS 3160. |
| Revenue - other area of interest | PS 3400 came into effect on April 1, 2023. The standard requires public sector entities to recognize and measure revenue transactions for which there is no specific guidance in other Public Sector Accounting Handbook sections | We will review management's assessment on the applicability of the new standard. If applicable, we will assess the identification of revenue streams and application of the five-step process by management to ensure revenue recognition practices that are in accordance with PS 3400. |

Materiality

We determined preliminary materiality to be \$810,000 (3% of revenue).

Misstatements are considered to be material if they could reasonably be expected to influence the decisions of users based on the financial statements.

Our materiality calculation is based on the Partnership's preliminary results. If actual results change significantly, we will communicate those changes to the municipal council as part of our year-end communication.

We will communicate all corrected and uncorrected misstatements identified during our audit to the municipal council, other than those which we determine to be "clearly trivial."

We encourage management to correct any misstatements identified throughout the audit process.



How we audit financial statements: Our audit process

IDENTIFY AND ASSESS RISK

Focus on those areas of financial statements that contain potential material misstatements as a consequence of the risks you face

OBTAIN AUDIT EVIDENCE

Perform audit procedures while maintaining appropriate degree of professional skepticism, to conclude whether or not the financial statements are presented fairly

COMMUNICATION

Communicate our opinion and details of matters on which we are required to communicate





How the firm's system of quality management (SoQM) supports the consistent performance of quality audit engagements

The firm is committed to maintaining high standards of audit quality that meet stakeholders' expectations and serve the public interest. We foster a culture where audit quality is at the center of our strategy and priorities. All partners and staff are accountable for performing quality engagements and upholding professional ethics, values, and attitudes.

The firm invested significant time and resources to establish and operate a SoQM that complies with the requirements set out in Canadian Standard on Quality Management 1 - Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (CSQM 1) as issued by the Auditing and Assurance Standards Board (AASB). The SoQM ensures the firm and its personnel meet professional standards, legal and regulatory requirements, and conduct engagements accordingly, with reports issued appropriately for the circumstances.

Taken together our system of quality management supports consistent performance of audit engagements by focusing on eight components that operate in an iterative and integrated manner. These include:



Standard for Audit Quality



CSQM 1

The quality of an audit depends not only on the people conducting it—but also on the systems underpinning it. These new rules up the ante for your audit quality.



Establishing and improving the firm's SoQM

In establishing and continuously improving our firm's SoQM, we carried out the following for each of the SoQM components:

OBJECTIVES

We established the quality objectives required by CSQM1 in the core components of our SoQM and any additional quality objectives as appropriate.

QUALITY RISKS

We identified the quality risks that may adversely affect achieving these objectives. These consider the nature and circumstances of the firm and the engagements it performs and the conditions, events or circumstances that may impact its SoQM.

RESPONSES

We designed and implemented appropriate responses (policies, procedures and controls) to mitigate the assessed quality risks to an acceptable level.

MONITORING

We monitor the design, implementation and operating effectiveness of the firm's SoQM to identify areas for improvement. Root cause analysis is performed on deficiencies identified and remedial actions are implemented on a timely basis. This robust monitoring and remediation process is important for continuous improvement in quality processes.

On at least an annual basis the firm evaluates whether these deficiencies have a severe and/or pervasive impact on the achievement of the quality objectives in the SoQM.

We identify emerging developments and changes in the circumstances of the firm or its engagements and adapt the SoQM to respond to such changes.

Evaluating SoQM:

Our annual SoQM evaluation involves reviewing information about the system's design, implementation, and operation through monitoring activities. It includes testing response effectiveness, reviewing findings from inspections, and other relevant SoQM information. Using professional judgment, we assess whether identified findings represent deficiencies in the SoQM, investigating their root causes and evaluating their severity and pervasiveness.



Our audit approach: Responsiveness in action

Our firm is deliberately structured to allow one partner to every six staff members. This means easy access to senior staff and the lead partner throughout your audit. It also helps our team gain a better understanding of your organization. Our audit process differs from the typical audit in our use of in-field reviews. The benefit of these in-field reviews is that final decision-makers are on site ensuring issues are resolved and files closed quickly. We offer clients the full-service expertise of a national firm. Yet we maintain a local community focus. The comprehensive range of services we deliver is complemented by a deep industry knowledge gained from over 100 years of working within local communities.



Discover how we're accelerating audit quality



Audit Quality Report

We collected our core beliefs around audit quality, the very practical steps we take to sustain it, and the progress we have made to accelerate its quest.

[Follow our progress](#)



BDO's digital audit suite

Our digital audit suite of technologies enables our engagement teams to conduct consistent risk-based audits, both domestically and internationally, with maximum efficiency and minimal disruption to our clients' operations and people.

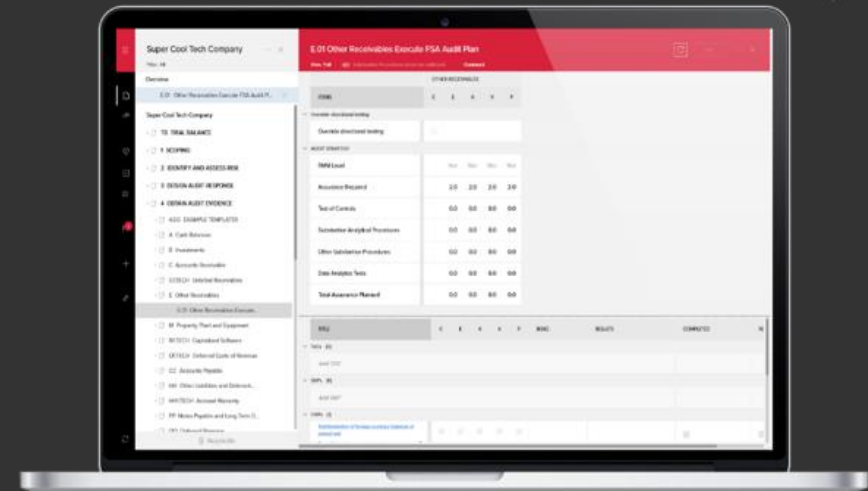
APT Next Gen

Our audit software and documentation tool, APT, is an integral part of our audit methodology. Our professionals engage APT to devise and perform appropriate, risk-based audit procedures and testing based on applicable Canadian Auditing Standards (CASs), as well as to factor in engagement and industry-specific objectives and circumstances.

APT enables us to deliver an audit that fits your organization—whether large or small; complex or basic.

This sophisticated tool also amplifies two key attributes of our audits: consistency and quality. The quality framework that we developed measures our audit performance with hard quality indicators and reflects our indispensable culture for quality. To see our audit quality and consistency in action, look no further than how our teams share best audit practices for continuous improvement.

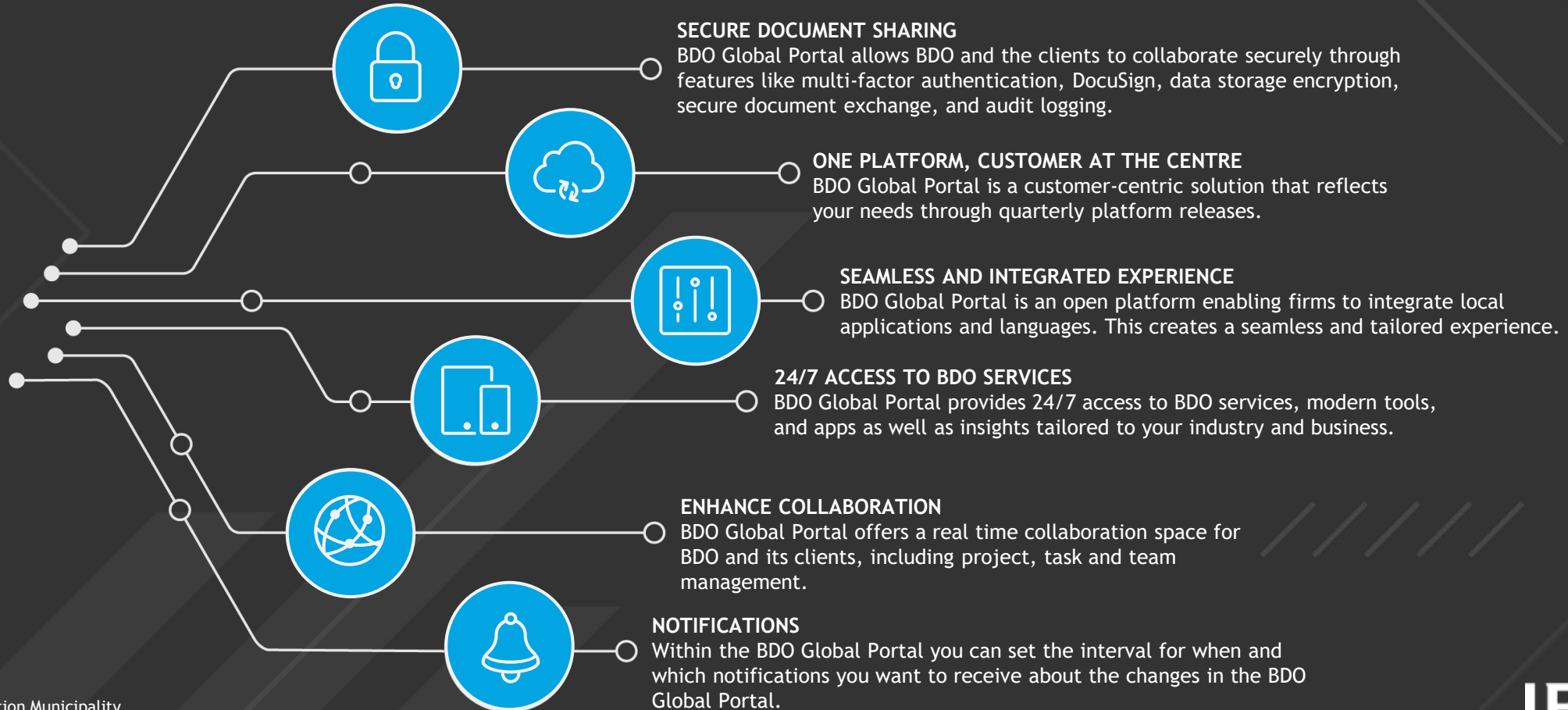
Through a strategic alliance with Microsoft and the introduction of new technology, this global, cloud-based application can now streamline and focus the audit process in even more ways for BDO professionals and their clients.





BDO Global Portal

BDO Global Portal transforms and enhances your digital experience with your BDO advisors. Available at any time, Portal enables you to access all services, tools, apps, and information and to collaborate with your advisors in a seamless way through a flexible, appealing, and secure environment.





Recommended Resource

Staying in the know with knowledge and perspective

Key changes to financial reporting



When the rules of reporting change, you may need to fine-tune how to present financial statements and govern the organization.

[ACCESS OUR KNOWLEDGE CENTRE](#)

The latest tax pointers



Corporate. Commodity. Transfer pricing. International tax. Government programs. Together they add up to immense differences on the organization’s bottom line. Our tax collection keeps you current.

[STAY ON TOP OF TAXES](#)

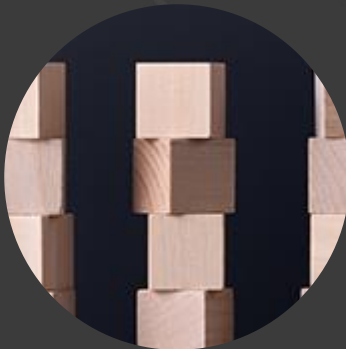
Trending topics



As a community of advisors with the best interests of our clients in mind, we keep our ear to the ground to bring insights and perspectives related to key business trends to you.

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Asset Retirement Obligations (ARO): A Practical Approach to Section PS 3280



This publication will walk through a practical approach to applying Section PS 3280 including: identification, recognition and measurement of an obligation, and the different options available to entities on transition.

[READ ARTICLE](#)



Spotlight on ESG



Transformative world events—an international health crisis, social movements, shareholder and investor values, global supply chains, energy transition, smart cities, and sustainable finance—are transforming Canadian business.

Standards and regulations are rapidly changing to reflect the goals of all of your stakeholders. Organizations, investors, and customers are embracing environmental, social, and governance (ESG) considerations as important measures of success. Non-financial and financial information is becoming more interconnected.

ESG Insights



Sector insights at your convenience

EXPLORE NOW



Spotlight on public sector



Industry insights to shape your business

At BDO, we help governments create efficient ways of working to achieve better outcomes for their citizens and public servants. From technology-based solutions to program development, advisory and audit, our team can guide you through critical strategic decisions to ensure you deliver on your vision, goals, and accountability expectations.

Public sector Insights



Resources to support your business

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