

July 9, 2024
Confidential

The Corporation of Norfolk County
50 Colborne Street S.
Simcoe Ontario N3Y 4H3

Attention: Members of Council

Dear Amy:

Re: Audit findings letter

This letter has been prepared to assist you with your review of the consolidated financial statements of The Corporation of Norfolk County for the year ending December 31, 2023. We look forward to meeting with you and discussing the matters outlined below.

Significant Matters Arising

Changes to Audit Plan

There were no changes to the audit plan (as previously presented to you).

Other matters

We have not identified any other significant matters that we wish to bring to your attention at this time.

Comments on Accounting Practices

Accounting Policies

The significant accounting policies used by the entity are outlined in Note 2 to the consolidated financial statements.

- a. There were no significant changes in accounting policies *with the exception of the County's adoption of PSAB standard PS 3280 Asset Retirement Obligation.*
- b. We did not identify any alternative accounting policies that would have been more appropriate in the circumstances.
- c. We did not identify any significant accounting policies in controversial or emerging areas.

Significant Accounting Estimates

The following significant estimates/judgments are contained in the consolidated financial statements:

- a. Allowance for doubtful accounts;
- b. Asset retirement obligations;
- c. Accrued liabilities;
- d. Deferred revenue;

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Comments on Accounting Practices *(continued)*

Significant Accounting Estimates *(continued)*

- e. Book value of tangible capital assets;
- f. Employee benefits liability; and
- g. Contingent liabilities.

Significant Financial Statement Disclosures

We did not identify any financial statement disclosures that are particularly significant, sensitive or require significant judgments, that we believe should be specifically drawn to your attention other than the following: Note 2 and 3 pertaining to the County's adoption of the new accounting standard for asset retirement obligations.

Uncorrected Misstatements

The County does not record accrued interest on its long-term liabilities. This results in an understatement of accounts payable and decrease in accumulated surplus of approximately \$433,000 as at year end. This also has an impact on the County's annual surplus of approximately \$33,000 for the year.

Significant Deficiencies in Internal Control

A deficiency in internal control exists when a risk is not treated by a control or when a control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the consolidated financial statements on a timely basis, or when a control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing.

A significant deficiency in internal control is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of TCWG.

To identify and assess the risks of material misstatement in the consolidated financial statements, we are required to obtain an understanding of internal control relevant to the audit. This understanding is used for the limited purpose of designing appropriate audit procedures. It is not used for the purpose of expressing an opinion on the effectiveness of internal control and, as a result, we do not express any such opinion. The limited purpose also means that there can be no assurance that all significant deficiencies in internal control, or any other control deficiencies, will be identified during our audit.

Significant Risks

The following is a list of the significant risks that we identified during the engagement as well as our audit responses:

Revenue recognition: Under Canadian General Accepted Auditing Standards we are required to evaluate the risk of fraud in revenue recognition. We have evaluated the design and implementation of controls along with substantive procedures on revenue addressing the risk. We concluded that the internal controls were designed and implemented appropriately.

We have obtained sufficient audit evidence to conclude that there were no material misstatements for presumed fraud risk of revenue.

Management override of controls: Under Canadian General Accepted Auditing Standards we are also required to evaluate the presumed risk of material misstatement due to fraud related to management override of controls. We did fraud-related inquiries, performed tests of journal entries to identify any significant unusual transactions, and evaluated business rationale for related party transactions, significant judgements and management estimates to identify any possible bias.

We have obtained sufficient audit evidence to conclude that there were no material misstatements based on our audit tests for management override of controls.

Independence

We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level. We confirm that we have complied with relevant ethical requirements regarding independence.

Other Audit Matters of Governance Interest

We would like to thank management and staff for the assistance they provided to us during the audit.

We hope the information in this audit findings letter will be useful. We would be pleased to discuss them with you and respond to any questions you may have.

Yours truly,

Millard, Rouse & Rosebrugh LLP

Chartered Professional Accountants



Matt McNally, CPA, CA
Partner

Agreed on behalf of the management of The Corporation of Norfolk County by:

Amy Fanning, Treasurer

July 9, 2024
Date signed