

Corporation of the Municipality of Brockton

Report to the Council

For the year Ended December 31, 2019



Baker Tilly SGB LLP
7 Victoria Street South
P. O. Box 129
Walkerton, ON
Canada, N0G 2V0

D: + 1 519-881-2100
1 800-263-4088
F: + 1 519-881-2602

walkerton@bakertilly.ca
www.bakertilly.ca

Tuesday, October 20, 2020

Corporation of the Municipality of Brockton
P.O. Box 68
Walkerton, Ontario, N0G 2V0

To the Council of

Corporation of the Municipality of Brockton

We have been engaged to express an audit opinion on the consolidated financial statements of Corporation of the Municipality of Brockton ("the company") for the year ended December 31, 2019. We have substantially completed our audit and are pleased to report our findings to date.

The purpose of this report is to summarize certain aspects of the audit that we believe to be of interest to the Council. This report should be read in conjunction with the draft consolidated financial statements and our report thereon, as well as our audit planning letter previously forwarded to you.

We have received full cooperation during the course of our audit and unrestricted access to all documents, books and records. We did not encounter any significant difficulties during the audit.

This report is confidential and is intended solely for the use of the Council in discharging its responsibilities with respect to the consolidated financial statements, and should not be used for any other purposes. No responsibility for loss or damages, if any, to any third party is accepted as this report has not been prepared for, and is not intended for, any other purposes. This report is a by-product of the audit and is therefore a derivative communication, and would not necessarily identify all matters that may be of interest to the Council in fulfilling its responsibilities. This report should not be distributed to others outside the company without our prior written consent.

We wish to express our appreciation for the cooperation and assistance received from the management and staff during the course of our audit.

We look forward to discussing the contents of this report and answering any questions you may have.

Yours Truly,

A handwritten signature in dark ink that reads "Baker Tilly SGB". The signature is written in a cursive, flowing style.

Baker Tilly SGB LLP
Chartered Professional Accountants

AUDIT • TAX • ADVISORY

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Executive Summary

Status of the audit

We are ready to release the consolidated financial statements subject to completion of the following remaining procedures:

- Receipt of management representation letter, which was provided to management
- Obtaining evidence of the approval of the consolidated financial statements by the board
- Subsequent events review up to date of audit report

We will advise the Council if any significant matters arise from the above noted procedures, including the need, if any, for additional or alternate procedures.

Audit Scope and Objectives

Our audit of the consolidated financial statements was designed to obtain reasonable, rather than absolute, assurance as to whether the consolidated financial statements are free of material misstatement. We developed our audit approach based on the risk assessment and understanding of control systems design and implementation. Our risk assessment was based on our understanding of the entity, industry, customer and supplier relationships, and analysis of financial information provided prior to the start of the audit.

Materiality

Materiality is the term used to describe the significance of financial statement information to decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision. Materiality is a matter of professional judgement in the particular circumstances.

Materiality was used throughout the audit and in particular when:

- a) Identifying and assessing risk of material misstatement;
- b) Determining the nature, timing and extent of further audit procedures; and
- c) Evaluating the effect of uncorrected misstatements, if any, on the consolidated financial statements and in forming an opinion on the auditor's report.

Audit Approach

The objective of the tests of controls is to evaluate whether certain controls operated effectively. The objective of the tests of details is to detect material misstatements in the account balances and transaction streams. Substantive analytical procedures are used to identify differences between recorded amounts and predictable expectations in larger volumes of transactions over time.

We determined, based on our understanding of internal controls, that limited reliance would be placed on the system of internal controls due to:

- relative size of the Organization
- management structure
- nature and volume of transactions processed during the year

Testing of internal controls, was not, in our view, cost effective for the level of assurance such tests would provide.

We adopted a substantive approach for the audit.

Significant Audit, Accounting and Financial Reporting Matters

i. Accounting policies

Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and application as part of our audit. The significant accounting principles and policies are disclosed in the notes to the consolidated financial statements.

The Council has a responsibility to review the accounting policies adopted by the company and where alternative policies are available, make determinations as to the most appropriate policies to be adopted in the circumstances. If members of the Council believe that the adoption of, or change in, accounting policies may produce inappropriate or misleading financial reporting, this concern must be discussed with management and with us.

Our views on the qualitative aspects of accounting practices used in the entity's financial reporting are intended to assist the Council in its review of the consolidated financial statements. Matters addressed below include items that affect the understandability, relevance, reliability and comparability of the consolidated financial statements:

Changes in significant accounting policies, including adoption of new standards	There were no new accounting policies adopted or changes to the application of accounting policies of the company during the year.
Accounting policies that are unique to the industry, or relate to controversial or emerging areas	There are no controversial policies or those unique to the industry.
Existence of alternative policies and methods	No significant items to report.
Timing of occurrence and recognition of transactions	No significant items to report.

Conclusion

In our judgment, the significant accounting practices, selected and applied by management are, in all material respects, acceptable under Canadian Public Sector Accounting Standards and are appropriate to the particular circumstances of the company.

ii. Areas of judgement and significant risks

Management is responsible for the accounting estimates included in the consolidated financial statements. Estimates and the related judgements and assumptions are based on management's knowledge of the business and past experience about current and future events.

Our responsibility as auditors is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the consolidated financial statements as a whole. An audit includes performing appropriate procedures to verify: the calculation of accounting estimates; analyzing of key factors such as underlying management assumptions; materiality of estimates individually and in the aggregate in relation to the consolidated financial statements as a whole; estimate's sensitivity to variation and deviation from historical patterns; estimate's consistency with the entity's business plans; and other audit evidence.

Significant Audit, Accounting and Financial Reporting Matters (Cont'd)

Certain accounting estimates are particularly sensitive because they involve a significant degree of judgement and may have a range of possible outcomes.

There are no significant accounting estimates, risk areas or disclosures that have a pervasive impact on the consolidated financial statements.

Conclusion

In our judgment, the significant accounting estimates made by management are in all material respects free of possible management bias and of material misstatement. The audit procedures performed in the areas noted above were consistent with those set out in our Audit Plan. The accounting treatment of the items noted above and related disclosures are appropriate and in accordance with Canadian Public Sector Accounting Standards. The results of our audit procedures were satisfactory.

Misstatements

Misstatements are categorized as corrected audit misstatements and uncorrected audit misstatements. These include disclosure deficiencies as well.

Significant Misstatements

In the course of our audit, we have not found any material misstatements or unadjusted items that, in aggregate, exceed materiality thresholds established for the audit, nor have we found significant misstatements that would likely cause future consolidated financial statements to be materially misstated.

Uncorrected Misstatements

In the course of our audit, we have aggregated uncorrected financial statement misstatements. Management has deemed the effects of these misstatements to be immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

Refer to Appendices for a summary of corrected misstatements and disclosure errors and omissions.

Other Required Communication

Audit independence	<p>As communicated previously to the Council, we are not aware of any relationship between the company and us that, in our professional judgment, may reasonably be thought to bear on our independence.</p> <p>Accordingly, we hereby re-confirm that our engagement team, our Firm and the other Baker Tilly offices are independent with respect to the company within the meaning of the Rules of Professional Conduct Rule 204 of the Chartered Professional Accountants of Ontario.</p>
Auditor's report	<p>We anticipate that our Independent Auditors' Report will be issued without modification.</p> <p>Our Independent Auditors' Report will be dated no earlier than the date on which we have obtained sufficient appropriate audit evidence on which to base our audit opinion on the consolidated financial statements, including evidence that all the statements and disclosures that comprise the consolidated financial statements have been prepared and the Board has approved the consolidated financial statements.</p>
Group audit	<p>We were given full access to the component auditor's working papers and our review did not indicate any reasons for concern about the quality of their work. No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested.</p>
Illegal acts, fraud, intentional misstatements and errors	<p>Testing during our audit did not reveal any illegal, improper or questionable payments or acts, nor any acts committed with the intent to deceive, involving either misappropriation of assets or misrepresentation of assets or misrepresentation of financial information.</p>
Non-compliance with laws and regulations	<p>We did not identify any non-compliance with laws and regulations.</p>
Related party transactions	<p>There were no related party transactions identified during the audit that required disclosure in the notes to the consolidated financial statements.</p>
Significant deficiencies in internal control	<p>We are required to communicate significant deficiencies in internal control identified during the audit to the Council. A significant deficiency is a deficiency or combination of deficiencies in internal control that, in our view, is of sufficient importance to merit the attention of the Council.</p> <p>We did not identify any deficiencies in internal control that we consider to be significant.</p>

Other Required Communication (Cont'd)

Internal control recommendations and management letter	<p>Our understanding and testing of the company's systems of internal control over financial reporting was planned and conducted to enable us to properly plan the audit and to express an opinion on the consolidated financial statements. It was not designed for, and was insufficient to express, an opinion as to the effectiveness or efficiency of the company's controls.</p> <p>There are no internal control matters that we wish to bring to management's attention.</p>
Significant difficulties or disagreements with management	<p>We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in aggregate significant to the company's consolidated financial statements or auditor's report. Disagreements may arise over matters such as selection or application of policies, assumptions used, judgements made, disclosures, scope of the audit or wording of the auditor's report.</p> <p>In the course of our audit, we did not have any significant disagreements with management, nor were we under any significant time pressures or poor working conditions. We are not aware of any cause for concern as to management's attitude, competence or credibility with respect to matters affecting the consolidated financial statements.</p>
Written representations requested from management	<p>As part of our audit, we request that management prepare a letter to us to re-affirm various representations that they have provided to us and we have relied upon.</p>
Significant matters discussed with management	<p>There were no significant matters arising from the audit discussed with management.</p>

Conclusion

To ensure there is a clear understanding and record of the matters discussed, we ask that members of the Council sign their acknowledgement in the spaces provided below. Should any member of the Council wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us at any time.

Acknowledgement of the Council:

We have read and reviewed the above disclosures and understand and agree with the comments therein:

Name

Date

Name

Date