



The Corporation of the Town of Fort Frances

Audit planning report to the Mayor and Council
for the year ended December 31, 2021

START



To the Mayor and Council of The Corporation of the Town of Fort Frances

We are pleased to provide you with this planning report to highlight and explain key issues which we believe to be relevant to the audit of The Corporation of the Town of Fort Frances (the “Municipality”) consolidated financial statements for the year ended December 31, 2021.

The enclosed planning report 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 report any significant internal control deficiencies identified during our audit and reconfirm our independence.

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Mayor and Council in fulfilling its responsibilities. This report has been prepared solely for the use of the Mayor and 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 at a glance

LEAD
PARTNER
ON YOUR
AUDIT

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CPA, CA

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START
DATE

March 28, 2022

END DATE

April 1, 2022



Audit timeline



For the year ended December 31, 2021



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.

[LEARN MORE](#)

DISCOVER THE
DIGITAL DIFFERENCE





Your dedicated BDO audit team



JON EVANS, CPA, CA

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JON EVANS has over 20 years of audit experience, working with various organizations. This experience allows him to address the unique audit and operating needs his clients have.

JON EVANS will be the Engagement Partner for your assurance services. He will assume ultimate responsibility for the provision of all services, monitoring and controlling costs to ensure you receive quality, effective and value-added service.



REBECCA GUSTAFSON, CPA, CA

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REBECCA GUSTAFSON has over 7 years of audit experience, working with various organizations. Rebecca is an audit manager with many audit clients in the not-for-profit sector.

REBECCA GUSTAFSON will be the Engagement Manager for your assurance services. She will manage the provision of all services, monitoring and controlling costs to ensure you receive quality, effective and value-added service.



HARSHA RATHOD, CPA

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HARSHA RATHOD has over 4 years of audit experience, working with various organizations. Harsha is an experienced member of the BDO team with many audit clients in the not-for-profit sector.

HARSHA RATHOD will be the Audit Lead for your assurance services. She will lead the provision of all services, monitoring and controlling costs to ensure you receive quality, effective and value-added service.

Our independence



We have complied with relevant ethical requirements and are not aware of any relationships between The Corporation of the Town of Fort Frances and our Firm that may reasonably be thought to bear on our independence.



Auditor's responsibilities: financial statements

We are responsible for forming and expressing an opinion on the consolidated financial statements that have been prepared by management, with oversight by those charged with governance. The audit of the consolidated 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 consolidated financial statements, tax returns and consents for offering documents.
- ▶ Prepare (review) applicable tax returns for the year ended December 31, 2021.
- ▶ Provide timely and constructive management letters. This will include deficiencies in internal control identified during our audit.
- ▶ Present significant findings to the Mayor and 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 consolidated 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 consolidated 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 Municipality'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 consolidated 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 Corporation of the Town of Fort Frances; and
- ▶ Management's communication, if any, to employees regarding its view on business practices and ethical behavior.

We are not currently aware of any fraud affecting the Municipality. If you are aware of any instances of actual, suspected, or alleged fraud, 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 Mayor and 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	PS 3510 requires that taxation revenue be recognized when it is authorized and the taxable event occurs which is the period for which the tax is levied. As a result, supplemental/omitted levies and write-offs should be recognized in the year that the applicable tax relates to. The related assessment or write-off of taxes typically occurs subsequent to the tax year being assessed. This results in a risk that the Municipality has unrecognized supplemental/omitted levies and tax write-offs that relate to the tax year being audited, as they have yet to be assessed by MPAC.	Complete a review for unrecognized supplemental/omitted levies and tax write-offs by tracing building permits to related tax assessments, examination of minutes of settlement received subsequent to year end, and discussion with the Chief Administrative Officer, Treasurer and Council.
Revenue Recognition	Revenue is not appropriately recognized under section PS 3410 - Government Transfers. Risk that revenue is recognized before eligibility criteria and/or other stipulations of the transfers are met.	Review recognition policy for consistency with professional standards. Review funding agreements for eligibility criteria and/or stipulations to ensure proper recognition of revenue.
Expenditure Recognition	Risk that invalid expenditures have been recognized to reduce or avoid recoveries of unspent funding.	Review program expenditures to ensure that only valid expenditures have been recognized and that expenses allocated towards specific government transfers meet the eligibility criteria outlined in the related funding agreement.

Materiality

We determined preliminary group materiality to be \$760,000, based on 3% of Expenditures.

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

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

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

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



Group matters

Fort Frances Power Corporation

Component auditor	BDO Canada LLP Fort Frances
Overview of work to be performed	Full audit of the component financial statement prepared under IFRS.
Overview of our involvement in the work performed by the component auditor	Work is performed by our office, there will be a separate audit team performing the work for this component.

Fort Frances Network Services

Component auditor	BDO Canada LLP Fort Frances
Overview of work to be performed	Compilation engagement of the component financial statement prepared under ASPE.
Overview of our involvement in the work performed by the component auditor	Work is performed by our office, there will be a separate team performing the work for this component.



Using the work of others

Experts

To complete the audit of your consolidated financial statements, we will rely in part on the work of EBA Engineering Consultants Ltd. and Morneau Shepell. Canadian generally accepted auditing standards require us to communicate with the expert. We propose to discuss the following with EBA Engineering Consultants Ltd. and Morneau Shepell:

- ▶ The objective and nature of our audit engagement and how we intend to use the expert's findings and report.
- ▶ Our assessment of the significant and risk aspects of the engagement that will affect the expert's work.
- ▶ The requirement to advise us if they have any relationship with the Company which could impair their judgment or objectivity in the conduct of their engagement.
- ▶ The nature, timing and extent of the expert's work and our planned review of it, possibly including review of their working papers.
- ▶ Confirmation that the assumptions used in their calculations are consistent with those used in the prior periods and with industry standards.
- ▶ Their obligation to advise BDO Canada LLP of any matters up to the estimated audit report date that may affect their calculations and their report.

We ask that the appropriate level of management review the data provided to EBA Engineering Consultants Ltd. and Morneau Shepell and that they also review the assumptions used and results reported by the expert.

For the year ended December 31, 2021





How we audit financial statements: Our six-step 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

REPORT

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



New Standard for Audit Quality



ISQM 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.

[SEE THE STANDARD](#)



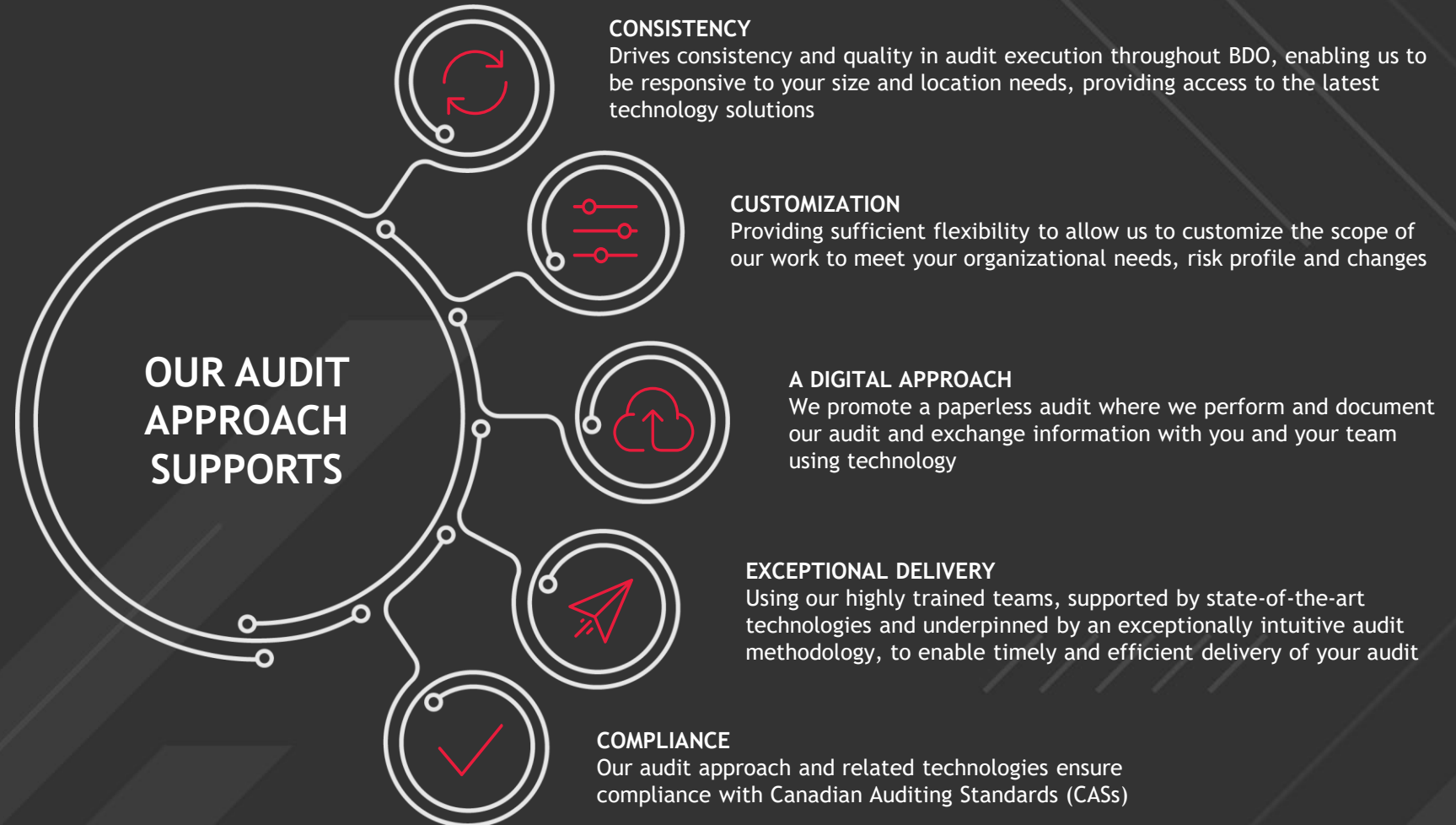
Our audit approach: Responsiveness in action

The cornerstone of each audit engagement is how we deliver our services.

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, as well as a quick turnaround on any questions. 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, subject to COVID-19 safety protocols. 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. Even more: As part of the global BDO network, we provide seamless and consistent cross-border services to clients with global needs. Yet we maintain a local community focus. The comprehensive range of services we deliver is complemented by a deep industry knowledge gained from nearly 100 years of working within local communities.



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.



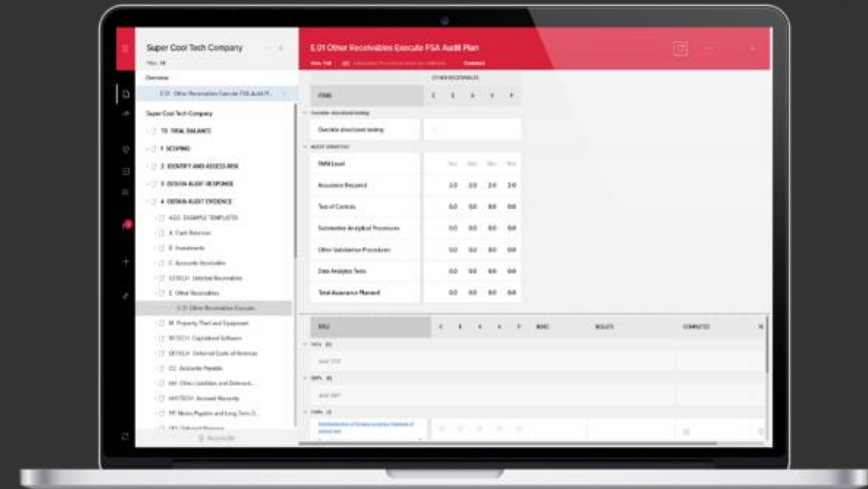
APT Next Gen

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.

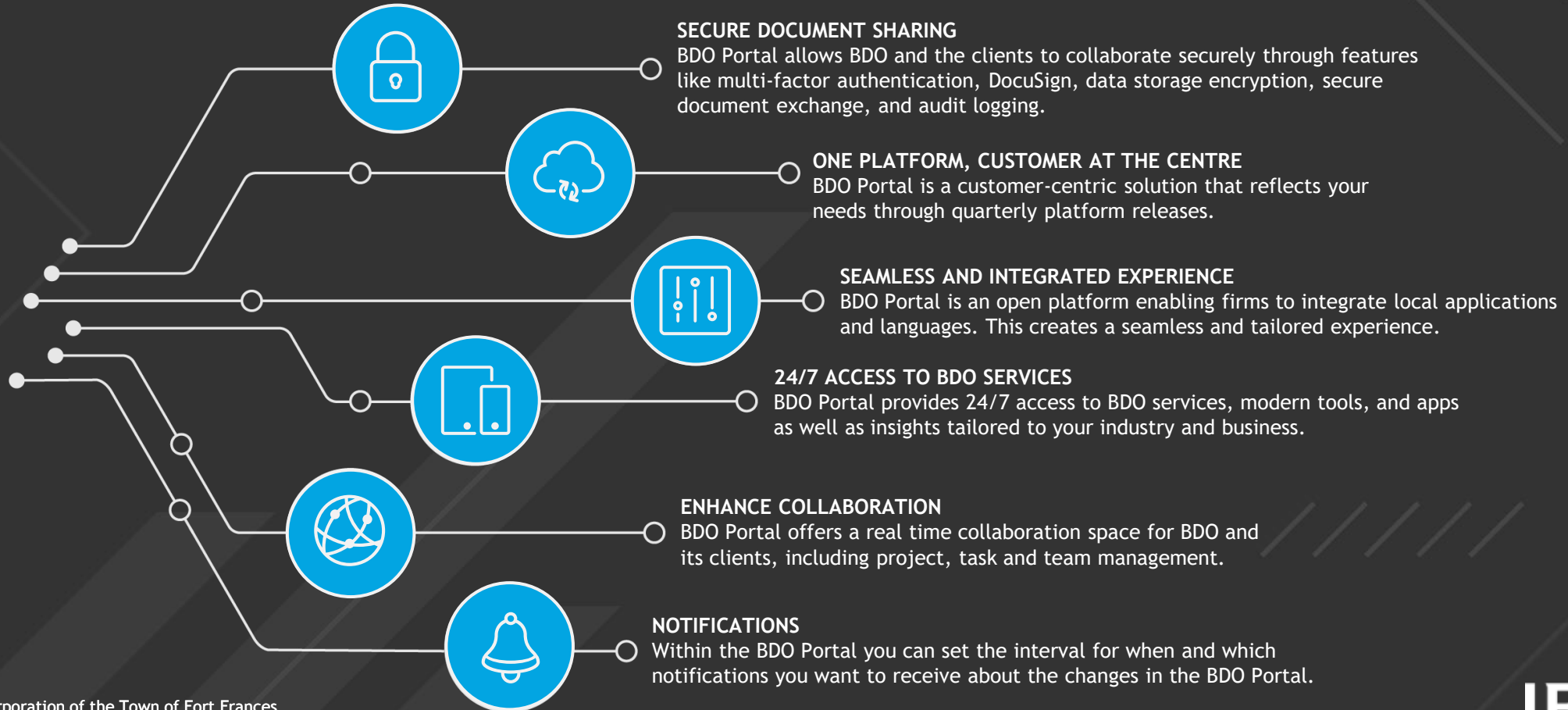
Through a strategic alliance with Microsoft and the introduction of new technology, this global, cloud-based application can now streamline and focus the audit process in even more ways for BDO professionals and their clients.





BDO Portal

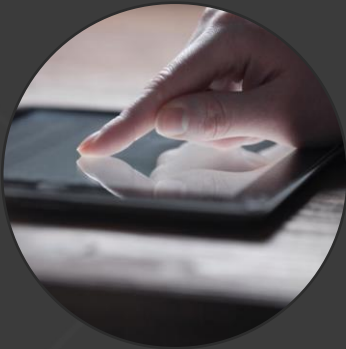
BDO Portal transforms and enhances your digital experience with your BDO advisors. Available at any time, Portal enables you to access all services, tools, apps, and information and to collaborate with your advisors in a seamless way through a flexible, appealing, and secure environment.





Recommended resources

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

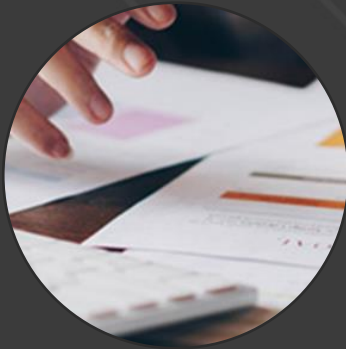
BDO Canada Sustainability Practice



Whether you're building a recovery plan, scanning new opportunities for growth, or revisiting your response—you'll find something to help you in our library of 100-plus webinars, articles, infographics, and videos.

LEARN MORE

Specific to you



We think the resource below may be of interest to the Mayor and Council

READ ARTICLE



Spotlight on Sustainability

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.

How climate change became a business issue worth reporting

[READ ARTICLE](#)

Why manufacturers should be reviewing their ESG strategy now

[READ ARTICLE](#)

What executives need to do to align ESG with strategy

[READ ARTICLE](#)

5 reasons why businesses should care about ESG

[READ ARTICLE](#)

How does COVID-19 impact the environment?

[READ ARTICLE](#)

BDO Global Sustainability Resource Hub

[EXPLORE NOW](#)

ESG, and the business case for dealing with climate change

[READ ARTICLE](#)