



**McCOLL TURNER** LLP  
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March 16, 2017

Board of Directors  
The Crowe Valley Conservation Authority  
70 Hughes Lane  
PO Box 416  
MARMORA, ON K0K 2M0

Dear Members of the Board of Directors:

***Re: Audit of the Financial Statements of The Crowe Valley Conservation Authority for the year ended December 31, 2016***

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The purpose of this letter is to communicate certain audit matters to those charged with governance of The Crowe Valley Conservation Authority as outlined in Canadian Auditing Standards section 260. This report is intended solely for the use of the Board of Directors and should not be distributed without our prior consent. We accept no responsibility from a third party who uses this communication.

We have completed our audit of The Crowe Valley Conservation Authority for the year ended December 31, 2016. We have included our observations of the audit process for your review.

***INDEPENDENCE***

The auditor is subject to relevant ethical requirements, including those pertaining to independence, related to financial statement engagements. Those requirements are defined in the rules of professional conduct by the Chartered Professional Accountants of Ontario (CPA Ontario).

We have identified and communicated any potential independence threats, communicated any concerns noted during our planning, and communicated any safeguards in place to ensure we meet our ethical requirements.

Management and those charged with governing the Authority are responsible to address any independence concerns you have, or any knowledge of situations or relationships between The Crowe Valley Conservation Authority, management, personnel and our firm, its partners and audit team personnel that may reasonably be thought to impede our independence.

In determining which relationships to report, these standards required us to consider relevant rules and related interpretations prescribed by CPA Ontario, covering such matters as:

- holding a financial interest, either directly or indirectly, in a client;
- holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- economic dependence on a client; and
- provision of services in addition to the audit engagement.

In this regard, we confirm that no relationships between The Crowe Valley Conservation Authority and McColl Turner LLP have existed during the period under audit which would impair our independence as The Crowe Valley Conservation Authority's auditors. Accordingly, we also confirm that we are independent with respect to the Authority as defined in the Rules of Professional Conduct Rule 204 of CPA Ontario.

### **AUDITOR RESPONSIBILITIES**

Consistent with the responsibilities outlined in the engagement letter, an audit of financial statements does not relieve management or those charged with governance of their responsibilities. When performing a financial statement audit, an auditor is responsible to express an opinion on whether the entity's financial statements are free of material misstatement and present fairly: the financial position, results of the operations and cash flows of the entity in accordance with Canadian public sector accounting standards.

The audit provides reasonable assurance, as opposed to absolute assurance, as to whether the financial statements are free of material misstatement. Even when an audit is carefully planned and performed, a misstatement of the financial statements, due to fraud or error, may not be detected.

### **BOARD OF DIRECTORS RESPONSIBILITIES**

The Board of Directors should be objective and act as a liaison between the auditor and management to ensure the auditor has means to discuss governance and audit concerns with persons not directly responsible for operations.

Those charged with governance are responsible to: assist and direct the audit planning process when required; meet with the auditors when needed; review the draft financial statements prepared by management, which include disclosures, supporting notes and schedules for accuracy and completeness; review and approve the final financial statements including disclosure and compliance issues; review matters raised by the auditor (internal controls, corporate governance, legal, fraud, management conduct), communicate and resolve with management and report back on the findings; disclose fraud or illegal acts, non-compliance with regulations, litigation concerns and any other concerns that would impact the financial statements; and provide guidance on additional work the auditor feels should be undertaken in response to issues raised or concerns noted.

### **SCOPE AND TIMING OF THE AUDIT**

Our approach to The Crowe Valley Conservation Authority's audit was to assess the risk of material misstatement in the financial statements and then design audit procedures to minimize those risks.

Prior to commencing the audit, our engagement team: followed up on concerns noted in the prior year (if applicable); identified concerns related to the current year; addressed any independence concerns; assessed the engagement team skills; and planned the work to be performed.

In assessing whether the financial statements are at risk of material misstatement, the audit included: a thorough understanding of The Crowe Valley Conservation Authority; identification of audit risks; understanding of internal controls used by management to prepare the financial statements; management's assessment as to the likelihood of fraud or errors; and an assessment of those risks, whether individually or in aggregate, which could cause a misstatement in the financial statements.

Part of the audit included an examination of evidence to support: disclosures in the financial statements; accounting principles applied; and whether estimates made by management were reasonable.

During the course of the engagement, our team performed a combination of test of details and substantive testing. Tests of details were used in order to detect material misstatements in certain account balances and transaction streams. Substantive analytical procedures were used in order to identify and assess fluctuations or relationships that were inconsistent with other relevant information or that differed from expected values by a significant amount. These procedures provided the basis for our audit opinion.



We focused on obtaining sufficient audit evidence to reduce the risk of material misstatement in the financial statements to an acceptably low level. This means that we focused our audit work on higher risk areas that have a higher risk of being materially misstated. Based on our professional judgement and past experience with The Crowe Valley Conservation Authority we identified the following higher risk areas:

- (i) Cut-off with respect to accounts receivable
- (ii) Cut-off with respect to accrued liabilities

## **MATERIALITY**

An auditor's determination of materiality is a matter of professional judgement, and is affected by the auditor's perception of the financial information needs of users of the financial statements. The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality is used throughout the audit and in particular when:

- (i) Determining the nature, timing and extent of risk assessment procedures;
- (ii) Identifying and assessing the risks of material misstatement; and
- (iii) Determining the nature, timing and extent of further audit procedures.

We established materiality for the financial statements as a whole at \$17,000.

## **FRAUD AND ILLEGAL ACTS**

The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. It is important that a strong emphasis is placed on fraud prevention and detection through creating a culture of honesty and ethical behaviour, ensuring effective internal controls are in place, and having an active oversight by those charged with governance.

The auditor is concerned with identifying fraud and/or illegal acts that cause a material misstatement in the financial statements. The assurance an auditor provides concerning lack of misstatements arising from fraud and/or illegal acts is necessarily lower than the assurance provided concerning those arising from error due to the inherent difficulty in detecting fraud and/or illegal acts.

The auditor is required to communicate to those charged with governance any knowledge of fraud or illegal acts encountered during the course of the audit.

We confirm that we are not aware of any fraud or illegal acts involving any officer or employee of The Crowe Valley Conservation Authority during the period under audit.

## **RELATED PARTY TRANSACTIONS**

During our audit, we conducted various tests and procedures to identify transactions considered to involve related parties. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management, directors and their immediate family members and companies with which these individuals have an economic interest.

There were no related party transactions identified during the audit that required disclosure in the notes to the financial statements.

## **ACCOUNTING POLICIES**

Management is responsible for the appropriate selection and application of accounting policies. The auditor assesses management's selection and application of the entity's accounting policies to ensure they are, in all material respects, in accordance with Canadian public sector accounting standards.

The auditor is required to communicate to those charged with governance whether in his or her professional judgement, the accounting principles used by management in preparing the entity's financial statements are appropriate.

We confirm that the selection and application of The Crowe Valley Conservation Authority's accounting policies are, in all material respects, in accordance with Canadian public sector accounting standards.

## **ACCOUNTING ESTIMATES**

Management is responsible for the accounting estimates included in the financial statements.

The objective of the auditor is to obtain sufficient appropriate audit evidence about whether the accounting estimates in the financial statements are reasonable in the context of Canadian public sector accounting standards.

We confirm that the accounting estimates used in The Crowe Valley Conservation Authority's financial statements are, in all material respects, in accordance with Canadian public sector accounting standards.

## **MISSTATEMENTS**

Misstatements, or errors, in financial statements arise from departures from Canadian public sector accounting standards and include departures from fact, inappropriate determination of accounting estimates, and omissions of necessary information. Misstatements may arise from error, fraud, or from the consequences of an illegal act.

A misstatement or the aggregate of all misstatements in the financial statements may be considered to be immaterial or material. A misstatement is considered to be material if, in the light of surrounding circumstances, it is probable that the decision of a person who is relying on the financial statements, and who has a reasonable knowledge of business and economic activities of the entity (the user), will be changed or influenced by such misstatement or the aggregate of all misstatements.

Management is responsible for the fair presentation of the financial statements in accordance with Canadian public sector accounting standards.

The auditor is responsible for providing reasonable assurance that the financial statements are free of material misstatement.

The auditor is required to communicate to those charged with governance any uncorrected misstatements identified during the course of the audit that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

We confirm that there are no uncorrected misstatements in the financial statements.

## **INTERNAL CONTROL**

The Board of Directors are ultimately responsible for ensuring that adequate internal controls and sound business practices are implemented by management. These form part of management's overall responsibility for the ongoing activities of The Crowe Valley Conservation Authority.

The auditor is concerned with identifying weaknesses in internal controls that cause a material misstatement in the financial statements. The auditor's examination of an entity's systems of internal control is not designed to determine whether they are adequate for management purposes and consequently, would not necessarily identify all such matters that may be of interest to management.



The auditor is required to communicate to those charged with governance any significant internal control weaknesses encountered during the course of the audit, which in the auditor's judgement represents a risk of material misstatement of the financial statements.

We confirm that we are not aware of any significant internal control weaknesses at The Crowe Valley Conservation Authority.

### **MANAGEMENT REPRESENTATIONS**

During the course of the audit, management made many representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base the audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representation received from management.

Management representations included, but were not limited to:

- (i) Matters communicated in discussions with us, whether solicited or unsolicited;
- (ii) Matters communicated electronically to us;
- (iii) Schedules, analyses and reports prepared by the entity, and management's notations and comments thereon, whether or not in response to a request by us;
- (iv) Internal and external memoranda or correspondence;
- (v) Minutes of meetings of the Board of Directors or similar bodies such as audit committees and finance committees; and
- (vi) A signed representation letter from management.

### **SIGNIFICANT MATTERS**

The auditor is required to communicate to those charged with governance all significant matters arising during the course of the audit that may have an effect on the financial statements. Such matters include the following:

- (i) significant or unusual transactions;
- (ii) significant estimates or judgements made by management;
- (iii) sensitive disclosures;
- (iv) factors affecting asset and liability carrying values;
- (v) the timing of transactions that affect the recognition of revenues or avoid recognition of expenses; and
- (vi) factors affecting the ability of the entity to continue as a going concern.

We confirm that we did not identify any significant matters during the course of our audit.

### **OTHER MATTERS**

The auditor is required to communicate to those charged with governance any disagreements with management about matters that individually or in the aggregate could impact the entity's financial statements or the auditor's report. In addition, the auditor is required to inform those charged with governance of any serious difficulties encountered while performing the audit.

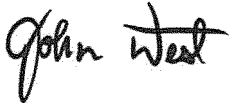
We confirm that we did not identify any other matters during the course of our audit.

## **CONCLUSION**

We express our sincere appreciation to management and staff for the assistance we received in completing our audit work. We would be pleased to discuss with you any matters mentioned in this letter, as well as any other matters that may be of interest to you.

Yours sincerely,

**McCOLL TURNER LLP**



John A. West, CPA, CA  
Licensed Public Accountant  
Partner

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We confirm that we understand and agree with the contents of this letter. We also confirm that we have disclosed to you to the best of our knowledge all facts regarding any fraud, non-compliance with laws and regulations, significant related party transactions, and subsequent events as of the date of this letter. Furthermore, should we become aware of any new matters prior to the acceptance and release of the final financial statements we will contact you immediately.

March 16, 2017  
Date

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Ms. Suzanne Partridge, Chair  
Chair of the Board of Directors