



The Crowe Valley Conservation Authority

For the year ended December 31, 2020

Report to The Board of Directors
Audit strategy and results

Purpose of report and scope

The purpose of this report dated June 17, 2021 is to engage in an open dialogue with you regarding our audit of the financial statements of The Crowe Valley Conservation Authority (the "Authority") for the year ended December 31, 2020. This communication will assist you in understanding our overall audit strategy and results. The information in this document is intended solely for the information and use of the Board of Directors and should not be distributed to other parties.

The purpose of our audit, our responsibilities and your responsibilities were communicated to you in our signed engagement letter dated April 21, 2021.

We were engaged to provide the following deliverables:

- Audited financial statements

Audit approach

Our audit approach involves identifying and assessing risks of material misstatement of the financial statements, whether due to fraud or error. Misstatements, including omissions, are material if they could reasonably be expected to influence the economic decisions made by users based on the financial statements. Ultimately, materiality is a measure of the significance of items to financial statement users, taking both quantitative and qualitative considerations into account. Without this concept, auditors would need to verify every transaction, which would not generally be practical, useful or cost effective. We apply a materiality threshold as a basis for focusing our audit work and, ultimately, to determine what matters will be brought to your attention and what adjustments need to be made to the financial statements.

The greater the risk of material misstatement associated with an area of the financial statements, the greater the audit emphasis placed on it in terms of verification. Where the nature of a risk is such that it requires special audit consideration, it is classified as a significant risk.

Due to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements may not be detected and this is particularly true in relation to fraud. The primary responsibility for the prevention and detection of fraud rests with you.

Status of our audit

We have substantially completed our audit of the financial statements of the Authority and the results of that audit are included in this report. We will finalize our report upon resolution of the following items that are outstanding as at June 17, 2021:

- Receipt of signed management representation letter
- Approval of the financial statements by The Board of Directors

Audit results

Area of focus	Matter, response and findings
Significant risk: fraud via management override of internal control	<p>Per the Canadian auditing standards, this is a presumed significant risk. The risk relates to management's ability to override the controls surrounding financial reporting in order to report improved financial results, manipulate particular financial statement areas, or perpetrate other financial fraud.</p> <p>Our audit procedures included testing journal entries, testing and analyzing significant accounting estimates for evidence of management bias, and reviewing significant transactions outside the normal course of business. Our audit procedures did not uncover any significant issues.</p>
Significant risk: fraud in revenue recognition	<p>Per the Canadian auditing standards, there is a presumed significant risk of fraud in revenue recognition. The risk is presumed to apply because past history indicates that, in financial statement frauds, revenue is an area that is commonly manipulated.</p> <p>Our audit procedures included testing revenue-related journal entries, determining that revenue recognition policies were reasonable based on the accounting standards followed by the Authority, and were consistently applied, and performing tests of details. Our audit procedures did not uncover any significant issues.</p>
Accounting practices	<p>As part of our audit, we considered the Authority's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. The accounting practices applied are consistent with those applied in the prior year and appear to be appropriate based on the Authority's circumstances.</p>

We are required to report to you all significant findings from our audit, including identified or suspected fraud, non-compliance with laws or regulations, unreasonable requests by management not to send confirmation requests, major adjustments to opening balances, related party matters, going concern issues and significant audit difficulties encountered. Our audit did not identify any significant findings other than those included in the table above.

Uncorrected misstatements

We have no non-trivial unadjusted misstatements to report.

Adjusted misstatements

Adjusted misstatements have been attached as an appendix to report.

Other matters

Internal control

We obtain an understanding of internal control over financial reporting to the extent necessary to plan the audit and to determine the nature, timing and extent of our work. If we become aware of a deficiency in your internal control over financial reporting, the auditing standards require us to communicate to The Board of Directors those deficiencies we consider significant. However, a financial statement audit is not designed to provide assurance on internal control.

Consistent with prior years, there is a lack of segregation of duties as the Bookkeeper is responsible for recording transactions in Sage and is also responsible for handling and preparing bank deposits. Segregating accounting duties is an important internal control for the safeguarding of the Authority's assets. While there is review of reconciliations by the General Manager, we continue to recommend that the signing authorities and the Board remain cognizant of the above comment when reviewing financial matters.

Independence

We have a rigorous process where we continually monitor and maintain our independence. We have identified no information regarding our independence that in our judgment should be brought to your attention.

A self-review threat exists in relation to the audit due to the fact that, in addition to performing the audit engagement, we draft the financial statements and propose journal entries. This threat is mitigated by ensuring that you understand, take responsibility for and approve the financial statements and journal entries.

Technical updates

We are not aware of any upcoming changes to auditing or accounting standards that are likely to have a significant impact on the Authority's financial reporting or the audit requirements.

The Crowe Valley Conservation Authority

AJE

Year End: December 31, 2020

Adjusting Journal Entries

Date: 12/1/2020 To 12/31/2020

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
AJE #1	12/31/2020	Land improvements - A/A	1645 0				345.00		
AJE #1	12/31/2020	Buildings - A/A	1655 0				5,865.00		
AJE #1	12/31/2020	Automotive equipment - A/A	1675 0				5,960.00		
AJE #1	12/31/2020	Computer hardware/software-A/A	1685 0				4,172.52		
AJE #1	12/31/2020	Infrastructure - A/A	1695 0				15,713.00		
AJE #1	12/31/2020	Amortization	5900 0			32,055.52			
		To record amortization for the year							
AJE #2	12/31/2020	Deferred Revenue	2600 0	60-1		6,659.65			
AJE #2	12/31/2020	Source Water Protection	4160-0003 D2	60-1			6,659.65		
		To adjust deferred revenue balance for F2020							
AJE #3	12/31/2020	Accrued liabilities	2140 0	52-2			1,800.00		
AJE #3	12/31/2020	Accrued liabilities	2140 0	52-2		3,621.74			
AJE #3	12/31/2020	Accrued liabilities	2140 0	52-2		1,499.79			
AJE #3	12/31/2020	Audit fees	5010-0001 D1	52-2		1,800.00			
AJE #3	12/31/2020	Wages	5410-0001 D1	52-2			1,774.65		
AJE #3	12/31/2020	Wages	5410-0001 D1	52-2		612.07			
AJE #3	12/31/2020	Wages	5410-0002 D9	52-2			362.17		
AJE #3	12/31/2020	Wages	5410-0002 D9	52-2			1,711.72		
AJE #3	12/31/2020	Wages	5410-0003 D2	52-2			253.52		
AJE #3	12/31/2020	Wages	5410-0003 D2	52-2		59.22			
AJE #3	12/31/2020	Wages	5410-0004 D10	52-2			1,086.52		
AJE #3	12/31/2020	Wages	5410-0004 D10	52-2			459.36		
AJE #3	12/31/2020	Wages	5410-0005 D3	52-2			36.22		
AJE #3	12/31/2020	Wages	5410-0008 D5	52-2			108.66		
		To update AP accrual balances for F2020							
AJE# 4	12/31/2020	Accounts receivable - other	1155 0	26-2		20,225.02			
AJE# 4	12/31/2020	Consolidated Hydro Plant Revenue	4280-0008 D5	26-2			20,225.02		
		To record Shaman Power profit sharing revenue accrual for F2020							
						66,533.01	66,533.01		
Net Income (Loss)			217,209.37						