
GOVERNMENT FINANCE & AUDIT

METRIX GROUP LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

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PARTNER



A BIT ABOUT US

■ OFFICES

- EDMONTON
- WHITECOURT
- LLOYDMINSTER

■ LOCAL GOVERNMENTS

- 13 COUNTIES
- 16 TOWNS
- COMMISSIONS, AUTHORITIES, VILLAGES

■ SCHOOL DIVISIONS (8)

■ OTHER AUDIT CLIENTS

- CREDIT UNIONS
- NOT-FOR-PROFIT ORGANIZATIONS
- GAS CO-OPERATIVES

AGENDA / PREVIEW

- **MUNICIPAL GOVERNMENT ACT REQUIREMENTS**
- **WHAT IS A FINANCIAL STATEMENT AUDIT?**
- **PUBLIC SECTOR ACCOUNTING STANDARDS (PSAS)**
- **QUESTIONS**

MUNICIPAL GOVERNMENT ACT

- SECTION 276
- PREPARE ANNUAL FINANCIALS IN ACCORDANCE WITH PSAS
- PREPARE *FINANCIAL INFORMATION RETURN*
- DUE MAY 1 FOLLOWING YEAR
- COUNCIL MUST APPOINT ONE OR MORE AUDITORS
- AUDITOR REPORT TO COUNCIL IMPROPER OR UNAUTHORIZED TRANSACTIONS OR NON-COMPLIANCE



"I HAVEN'T FOUND ANYTHING WRONG WITH
YOUR BOOKS YET, BUT IT'S OK FOR YOU TO
GO AHEAD AND WORRY A BIT LONGER."

FUNDAMENTAL PRINCIPLES OF AUDITOR

- **INTEGRITY**
- **OBJECTIVITY**
- **PROFESSIONAL COMPETENCE & DUE CARE**
- **CONFIDENTIALITY**
- **PROFESSIONAL BEHAVIOUR**



CANADIAN AUDITING STANDARDS

- **AUDITOR SHALL APPLY ALL CASs RELEVANT TO AUDIT**
 - MORE THAN 500 “THE AUDITOR SHALL”
- **CAS 200 – OBJECTIVES OF AN AUDIT**
- **CAS 240 – AUDITORS’ RESPONSIBILITIES RE: FRAUD**
- **CAS 260 / 265 – COMMUNICATING WITH GOVERNANCE**
- **CAS 320 - MATERIALITY**

CAS 200 – OBJECTIVES OF AN AUDIT

- **ENHANCE DEGREE OF CONFIDENCE OF INTENDED USERS**
- **AUDITOR EXPRESSES OPINION ON FINANCIALS**
- **AUDITOR OBTAINS REASONABLE ASSURANCE**
 - FINANCIALS FREE OF MATERIAL MISSTATEMENTS
 - FRAUD OR ERROR
- **REASONABLE ASSURANCE = HIGH LEVEL ASSURANCE**
 - NOT ABSOLUTE ASSURANCE
 - MOST AUDIT EVIDENCE IS PERSUASIVE NOT CONCLUSIVE
- **PROFESSIONAL JUDGMENT**
- **PROFESSIONAL SKEPTICISM**

PROFESSIONAL JUDGMENT

- **ESSENTIAL TO PROPER CONDUCT OF AN AUDIT**
- **MATERIALITY / AUDIT RISK**
- **NATURE, TIMING, & EXTENT OF AUDIT PROCEDURES**
- **EVALUATING SUFFICIENT APPROPRIATE AUDIT EVIDENCE**
- **DRAWING CONCLUSIONS**
 - **REASONABLENESS OF MANAGEMENT ESTIMATES**
- **PROFESSIONAL SKEPTICISM**

PROFESSIONAL SKEPTICISM

- CONTRADICTORY AUDIT EVIDENCE
- RELIABILITY OF DOCUMENTS AND RESPONSES TO INQUIRIES
- CONDITIONS THAT MAY INDICATE FRAUD
- EVALUATING SUFFICIENT APPROPRIATE AUDIT EVIDENCE
- CRITICAL ASSESSMENT OF AUDIT EVIDENCE
- TRUST BUT VERIFY



CAS 240 – AUDITORS' RESPONSIBILITIES FRAUD

- **CONCERNED WITH FRAUD = MATERIAL MISSTATEMENT**
 - RISK OF NON-DETECTION > RISK OF ERROR
 - RISK OF MANAGEMENT FRAUD > EMPLOYEE FRAUD

- **FRAUDULENT FINANCIAL REPORTING**
 - MISSTATEMENT IS INTENTIONAL

- **MISAPPROPRIATION OF ASSETS**
 - THEFT

- **PREVENTION / DETECTION MANAGEMENT RESPONSIBILITY**
 - WITH COUNCIL OVERSIGHT

CAS 240 – AUDITORS' RESPONSIBILITIES FRAUD

- **PROFESSIONAL SKEPTICISM**
- **ENGAGEMENT TEAM DISCUSSION**
- **INQUIRIES OF MANAGEMENT / EMPLOYEES / COUNCIL**
- **PRESUMED RISK OF FRAUD IN REVENUE RECOGNITION**
- **ELEMENT OF UNPREDICTABILITY IN AUDIT PROCEDURES**
- **TEST JOURNAL ENTRIES (RISK MANAGEMENT OVERRIDE)**
- **REVIEW ACCOUNTING ESTIMATES FOR BIAS**
- **WRITTEN REPRESENTATIONS**

ELEMENT OF UNPREDICTABILITY?????



"We're going to parachute in and do a surprise audit, but I want to keep the whole thing low key."

CAS 240 – AUDITORS' RESPONSIBILITIES FRAUD

- IF AUDITOR SUSPECTS / FINDS FRAUD
 - COMMUNICATE WITH APPROPRIATE LEVEL OF MANAGEMENT
 - IF MANAGEMENT FRAUD COMMUNICATE TO COUNCIL



CAS 320 – MATERIALITY

- **DETERMINATION REQUIRES PROFESSIONAL JUDGMENT**
- **AUDITOR ASSUMES USERS...**
 - ❑ HAVE REASONABLE KNOWLEDGE BUSINESS / ACCOUNTING
 - ❑ UNDERSTAND FINANCIALS AUDITED TO LEVELS OF MATERIALITY
 - ❑ RECOGNIZE UNCERTAINTIES INHERENT (ESTIMATES, ETC.)
 - ❑ MAKE REASONABLE ECONOMIC DECISIONS
- **MATERIAL = INFLUENCE ECONOMIC DECISIONS OF USERS**
 - ❑ INDIVIDUALLY OR IN THE AGGREGATE (CAS 450)
- **REDUCE UNCORRECTED AND UNDETECTED MISSTATEMENTS**
 - ❑ TO APPROPRIATELY LOW LEVEL
- **BENCHMARKS**
 - ❑ PROFIT BEFORE TAX
 - ❑ TOTAL REVENUE / EXPENSES

CAS 260 – COMMUNICATION WITH COUNCIL

- **PROMOTE EFFECTIVE TWO-WAY COMMUNICATION**
 - WRITTEN OR ORAL

- **CLEARLY COMMUNICATE AUDITORS' RESPONSIBILITIES**
 - PLANNED SCOPE & TIMING (AUDIT PLANNING LETTER)

- **PROVIDE TIMELY OBSERVATIONS ARISING FROM THE AUDIT**
 - AUDIT FINDINGS LETTER
 - SIGNIFICANT FINDINGS
 - VIEWS ABOUT COUNTY'S ACCOUNTING PRACTICES, POLICIES
 - UNCORRECTED MISSTATEMENTS
 - SIGNIFICANT DIFFICULTIES
 - INDEPENDENCE

AUDITORS' REPORT

- **FORM AN OPINION BASED ON AUDIT EVIDENCE**
- **EXPRESS OPINION CLEARLY THROUGH WRITTEN REPORT**
- **UNMODIFIED OPINION**
 - REASONABLE ASSURANCE FS FREE OF MATERIAL MISSTATEMENT =
 - FRAUD OR ERROR
- **MODIFIED**
 - CONCLUDES NOT FREE OF MATERIAL MISSTATEMENT, OR
 - UNABLE TO OBTAIN SUFFICIENT APPROPRIATE AUDIT EVIDENCE TO CONCLUDE



OPERATIONAL AUDITS

- EXAMINE ECONOMY, EFFICIENCY, EFFECTIVENESS
- ARE INTERNAL CONTROLS & PROCESSES EFFICIENT / EFFECTIVE?
- HOW COUNTY CONDUCTS BUSINESS
 - VALUE FOR MONEY

FINANCIAL STATEMENT OBJECTIVES

- **AID UNDERSTANDING OF GOVERNMENT FINANCIAL OPERATIONS**
- **PROMOTE ACCOUNTABILITY**
 - INCLUDING COMPARISON TO BUDGET
- **LIABILITIES & FINANCIAL ASSETS**
- **COSTS OF SERVICES**
- **ASSESS WHETHER FINANCIAL POSITION IMPROVED / DETERIORATED**
 - NET DEBT = 1ST INDICATOR (FINANCIAL ASSETS LESS LIABILITIES)
 - ACCUMULATED SURPLUS = 2ND INDICATOR

Sturgeon County

Statement of Financial Position

| December 31 st | 2016 | 2015 |
|---|-----------------------|-----------------------|
| Financial Assets | | |
| Cash and short-term investments (Note 3) | \$ 46,995,925 | \$ 38,899,495 |
| Accounts receivable (Note 4) | 5,843,993 | 9,914,074 |
| Loans Receivable (Note 5) | 3,755,022 | 3,895,809 |
| Investments (Note 6) | 4,465,239 | 1,402,774 |
| Land held for resale | - | 213,536 |
| Total financial assets | 61,060,179 | 54,325,688 |
| Liabilities | | |
| Accounts payable and accrued liabilities (Note 9) | 13,811,497 | 14,782,610 |
| Long-term debt (Note 10) | 30,383,410 | 30,547,831 |
| Deferred revenue (Note 11) | 33,835,600 | 32,850,999 |
| Total liabilities | 78,030,507 | 78,181,440 |
| Net Debt (Note 17) | (16,970,328) | (23,855,752) |
| Non-Financial Assets | | |
| Prepaid expenses | 533,773 | 474,082 |
| Inventory for consumption (Note 7) | 1,984,668 | 2,194,351 |
| Tangible capital assets (Schedule 6) (Note 8) | 249,869,902 | 247,807,977 |
| Total non-financial assets | 252,388,343 | 250,476,410 |
| Accumulated Surplus (Schedule 1) | \$ 235,418,015 | \$ 226,620,658 |

The accompanying schedules, summary of significant accounting policies and notes are an integral part of these financial statements.

Sturgeon County

Statement of Operations and Accumulated Surplus

| For the year ended December 31 st | Budget | 2016 | 2015 |
|--|----------------|----------------|----------------|
| | (unaudited) | | |
| Revenues | | | |
| Net municipal taxes (Schedule 3) | \$ 41,064,752 | \$ 42,238,185 | \$ 38,888,777 |
| Special levies | 1,126,797 | 934,165 | 1,029,198 |
| Government transfers for operating (Schedule 4) | 1,404,602 | 1,573,833 | 2,020,318 |
| User fees and sales of goods | 7,244,274 | 7,951,851 | 8,250,867 |
| Return on investments | 298,000 | 526,570 | 489,489 |
| Licenses and permits | 833,204 | 844,654 | 1,026,679 |
| Inter-municipal agreements | 312,572 | 706,602 | 720,538 |
| Penalties on taxes and service charges | 280,000 | 338,295 | 311,604 |
| Other revenue | 525,129 | 1,467,555 | 914,411 |
| | 53,089,330 | 56,581,710 | 53,651,881 |
| Expenses (Schedule 5) | | | |
| Transportation | 20,250,549 | 22,292,475 | 20,320,305 |
| Administration and Building Services | 10,229,940 | 10,119,431 | 8,994,257 |
| Utilities | 5,591,862 | 6,522,689 | 6,490,624 |
| Planning, Economic Development, and Engineering | 5,906,546 | 5,183,894 | 4,526,815 |
| Protective Services | 3,377,044 | 3,204,866 | 3,325,856 |
| Community Services | 2,693,567 | 2,861,725 | 3,254,775 |
| Agriculture Services | 2,493,107 | 2,304,414 | 2,249,654 |
| Council | 748,730 | 682,267 | 666,613 |
| Fleet | 50,887 | - | 69,382 |
| | 51,342,232 | 53,171,761 | 49,898,281 |
| Annual surplus before other income | 1,747,098 | 3,409,949 | 3,753,600 |
| Other income | | | |
| Government transfers for capital (Schedule 4) | 4,692,000 | 5,312,665 | 2,536,966 |
| Developer off site levies | 150,000 | 74,743 | 1,921,489 |
| | 4,842,000 | 5,387,408 | 4,458,455 |
| Annual surplus | 6,589,098 | 8,797,357 | 8,212,055 |
| Accumulated surplus at beginning of year | 226,620,658 | 226,620,658 | 218,408,603 |
| Accumulated surplus at end of year (Schedule 1) | \$ 233,209,756 | \$ 235,418,015 | \$ 226,620,658 |

The accompanying schedules, summary of significant accounting policies and notes are an integral part of these financial statements.

Sturgeon County

Schedule of Accumulated Surplus

Schedule 1

| For the year ended December 31 st | Budget (unaudited) | 2016 | 2015 |
|---|-----------------------|-----------------|-----------------|
| Deficit from operations | \$ (6,921,226) | \$ (14,439,570) | \$ (15,978,223) |
| Internally designated (Note 12 Reserve funds) | | | |
| Operating | 5,344,825 | 11,201,797 | 8,835,915 |
| Capital | 7,575,179 | 12,601,496 | 11,007,105 |
| Total reserves | 12,920,004 | 23,803,293 | 19,843,020 |
| Equity in tangible capital assets (Schedule 2) | 227,210,978 | 226,054,292 | 222,755,861 |
| Accumulated Surplus | \$ 233,209,756 | \$ 235,418,015 | \$ 226,620,658 |

QUESTIONS?

