

December 16, 2024

Leduc County  
Suite 101, 1101 – 5th Street  
Nisku, Alberta  
T9E 2X3

**Attention: Council Members**

Dear Council Members:

**Re: 2024 AUDIT PLANNING**

**A. INTRODUCTION**

The objectives of this letter are as follows:

- a) To communicate clearly with Council our responsibilities in relation to the financial statement audit, and provide an overview of the planned scope and timing of the audit;
- b) To obtain from Council information relevant to the audit;
- c) To provide Council with timely observations arising from the audit that are significant and relevant to Council's responsibility to oversee the financial reporting process; and
- d) To promote effective two-way communication between the auditor and Council.

Clear two-way communication between the auditor and those charged with governance is an integral part of every audit. After reviewing this letter please advise us whether there are additional areas of concern to Council which we should consider.

This letter should not be distributed without the prior consent of Metrix Group LLP and we accept no responsibility to a third party who uses this communication.

**B. SERVICES TO BE PROVIDED**

As agreed to in our engagement letter we have been engaged by Leduc County (the "County") to perform the following services:

**Audit services**

- Audit of the County's financial statements
- Audit of the County's financial information return

**C. AUDITOR INDEPENDENCE**

At the core of the provision of external audit services is the concept of independence. We believe it is important to communicate to Council, at least annually, all relationships between our firm and the County that, in our professional judgment, may reasonably be thought to bear on our independence.

We are currently not aware of any relationships between the County and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence. We will provide our annual letter confirming our independence up to the date of our report at the conclusion of the audit.

**D. AUDITOR RESPONSIBILITIES**

It is important for Council to understand the responsibilities that rest with the County and its management and those that belong to the auditor in relation to the financial statement audit.

Our audit of the County's financial statements will be performed in accordance with Canadian generally accepted auditing standards (CAS). These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the County in accordance with Canadian public sector accounting standards. Accordingly, we will plan and perform our audit to provide reasonable, but not absolute, assurance of detecting fraud and errors that have a material effect on the financial statements taken as a whole, including illegal acts whose consequences have a material effect on the financial statements.

CAS does not require the auditor to design procedures for the purpose of identifying supplementary matters to communicate to Council.

**E. MANAGEMENT RESPONSIBILITIES**

Management is responsible for the preparation of the financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**F. PLANNED SCOPE AND TIMING OF THE AUDIT**

In gathering our audit evidence we will utilize an approach to the audit of the County that allows us to issue an audit opinion on the financial statements in the most cost-effective manner, while still obtaining the assurance necessary to support our audit opinion. In performing our audit, our work will be focused on, but not limited to, areas that we believe have a higher risk of being materially misstated.

To assess risk correctly, we will require a clear understanding of the County's operations and the environment it operates in. We will gain this understanding primarily through discussions with management and staff. We welcome any insights Council would like to provide to us on what you perceive to be risky.

## **Management Representations**

Management's representations are integral to the audit evidence we will gather. Prior to the release of our report, we will require management's representations in writing to support the content of our report.

## **Audit Strategy**

Based on our knowledge of the County, we anticipate utilizing a combination of tests of relevant internal controls and substantive procedures (analysis of data and obtaining direct evidence as to the validity of the items such as third-party confirmation). This type of approach is more appropriate when an entity processes a high volume of transactions and has strong internal controls. By obtaining some of our assurance through tests of controls, we can reduce the substantive procedures that are required.

## **Significant Risks**

Significant risks are identified and assessed risks of material misstatement that, in the auditors' judgment, require special audit consideration. We have identified the following significant risks.

### *Management Override of Controls*

Management override of controls is considered a significant risk in every financial statement audit. To reduce this risk to an acceptable level, our audit approach will include substantive procedures including testing of manual journal entries, reviews of irregular transactions, and assessing key estimates for potential bias.

## **Materiality**

Materiality in an audit is used as a guide for planning the nature and extent of audit procedures and for assessing the sufficiency of audit evidence gathered. It is also used in evaluating the misstatements found (if any) and determining the appropriate audit opinion to express.

We establish an overall materiality for the financial statements as a whole. The planned overall materiality is based on 2% of estimated operating revenues for the year ending December 31, 2024. We may update our materiality if actual amounts differ significantly from the estimates or circumstances suggest particular balances, results or disclosures may impact users' decisions.

A misstatement, or the aggregate of all misstatements in financial statements, 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 (the user), would be changed or influenced by such misstatement or the aggregate of all misstatements. The materiality decision ultimately is based on the auditors' professional judgment.

## **Audit Team**

Curtis Friesen CPA, CA	Partner
Stephen Webber, CPA	Manager
Dallyn Peters, CPA	Senior Accountant
Raminder Gil	Staff Accountant

## **Timing of the Audit**

Interim audit work was completed in December 2024.

The year-end audit fieldwork is scheduled to take place during the week of March 3, 2025

We anticipate presenting the audited financial statements to Council on April 8, 2025.

## **G. NEW PUBLIC SECTOR ACCOUNTING BOARD STANDARDS**

The following is a summary of recently issued *Public Sector Accounting Board* pronouncements. We encourage the County's accounting staff to review these to determine the potential impact to the County.

### **Effective Fiscal Years Beginning on or After April 1, 2023 (applicable for the County's 2024 year end)**

#### *PS 3400 – Revenue*

- Establishes a standard that addresses the accounting and reporting of revenue not previously addressed in the CPA Canada Public Sector Accounting Handbook.
- Provides a framework for recognizing revenue by distinguishing between revenue that arises from transactions that include performance obligations from transactions that do not have performance obligations.
- Earlier adoption is permitted.

**H. COMMUNICATION OF THE RESULTS**

At the completion of our audit, we will communicate to Council matters arising from the financial statement audit. Our communication will include the following:

- Matters required to be communicated to Council under CAS including possible fraudulent activities, possible illegal acts, significant weaknesses in internal control and certain related party transactions;
- Our views about significant qualitative aspects of the County's accounting practices, including accounting policies, accounting estimates, and financial statement disclosures;
- Other matters, if any, arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process; and
- Any other matters previously agreed to with Council.

**I. REQUESTS OF COUNCIL**

During the course of your duties as Council, you may become aware of additional areas of concern from an audit perspective that you would like us to address. We welcome discussion on any areas of audit concern that you may have.

Additionally, we request that you inform us (prior to the commencement of our year-end work) whether Council has knowledge of any actual, suspected, or alleged fraud affecting the County.

We trust this communication will provide you with an update on the current developments within the accounting profession, as well as clarify our responsibility and audit approach.

Please do not hesitate to contact us about any of the above items or other matters of concern to the County.

Yours very truly,

**METRIX GROUP LLP**



Curtis Friesen CPA, CA  
Partner

cc: Duane Coleman, County Manager