

July 11, 2023

The Corporation of Norfolk County
50 Colborne Street S.
Simcoe Ontario N3Y 4H3

Attention: Members of Council

Re: Audit Findings

This letter has been prepared to assist you with your review of the consolidated financial statements of The Corporation of Norfolk County for the year ending December 31, 2022. We look forward to meeting with you and discussing the matters outlined below.

Significant Difficulties Encountered

There were no significant difficulties encountered during our audit.

Comments on Accounting Practices

Accounting Policies

The significant accounting policies used by the entity are outlined in Note 2 to the consolidated financial statements.

- a. There were no significant changes in accounting policies.
- b. We did not identify any alternative accounting policies that would have been more appropriate in the circumstances.
- c. We did not identify any significant accounting policies in controversial or emerging areas.

Significant Accounting Estimates

The following significant estimates/judgments are contained in the consolidated financial statements:

- a. *Allowance for doubtful accounts;*
- b. *Value of inventory;*
- c. *Accrued liabilities;*
- d. *Deferred revenue;*
- e. *Book value of tangible capital assets*
- f. *Employee benefits liability*
- g. Solid waste landfill closure and post-closure liability

Comments on Accounting Practices - *Significant Accounting Estimates* (continued)

Certain accounting estimates are particularly sensitive because they involve a significant degree of judgment and may have a range of possible outcomes. Significant accounting estimates exist for the County in the determination of the employment benefits liability. Four areas of employment benefits where estimates are involved are worker's compensation (WSIB), post employment benefits (i.e. health, dental and life insurance), vested sick leave and unvested sick leave. A comprehensive actuarial evaluation for the employee benefits liability was conducted as at December 31, 2020. This report included projections for the years 2021, 2022 and 2023. Based on audit work performed and discussions with management, we are satisfied with the projections used for 2022.

The solid waste landfill closure and post-closure liability, that relates to the shared Tom Howe landfill site and Canborough landfill site, is a significant estimate. Haldimand County hired an actuary in 2009 to perform an actuarial evaluation of the landfill closure and post-closure costs. Since then, a Haldimand County employee performs periodic evaluations and estimates the landfill closure and post-closure costs based on the 2009 actuarial evaluation. In 2019 Haldimand County hired a consultant to provide third-party support for the estimates of the landfill closure and post-closure costs. The results of this investigation have been reflected in the financial statements. We recommend that estimates are re-evaluated on an annual basis to ensure assumptions being made are still consistent each year and that a consultant be involved at certain intervals.

Significant Financial Statement Disclosures

We did not identify any financial statement disclosures that are particularly significant, sensitive or require significant judgments, that we believe should be specifically drawn to your attention.

Significant Deficiencies in Internal Control

A deficiency in internal control exists when a risk is not treated by a control or when a control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the consolidated financial statements on a timely basis, or when a control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing.

A significant deficiency in internal control is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

To identify and assess the risks of material misstatement in the consolidated financial statements, we are required to obtain an understanding of internal control relevant to the audit. This understanding is used for the limited purpose of designing appropriate audit procedures. It is not used for the purpose of expressing an opinion on the effectiveness of internal control and, as a result, we do not express any such opinion. The limited purpose also means that there can be no assurance that all significant deficiencies in internal control, or any other control deficiencies, will be identified during our audit.

Written Representations

In a separate communication, as attached, we have requested a number of written representations from management in respect to their responsibility for the preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards.

Other Audit Matters of Governance Interest

Asset Retirement Obligation (PS 3280) - PS 3280 becomes effective for fiscal years beginning on or after April 1, 2022. We recommend the County conduct a review of their tangible capital assets and potential contaminated sites to determine which assets may be impacted by this new standard and determine an appropriate estimate of the asset retirement obligation.

Norfolk County Drains - During the completion of the audit, it was noted that improvements have been made to reconcile the many ongoing drainage projects within Norfolk County. We recommend continued investigation of these projects and request notification of any reports to Council on the financial status of these projects.

Other Audit Matters of Governance Interest *(continued)*

PerfectMind software - During the completion of the audit, it came to our attention that there are issues with the reconciliation of the PerfectMind reporting. Norfolk County began using PerfectMind in September 2021 as an online system to track programs run by Norfolk County including summer camps, swimming lessons, facility bookings, etc. It has been identified that there are weaknesses in the system in terms of tracking deferred revenue and accounts receivable. We recommend management work with the software providers in order to provide accurate and timely reporting to eliminate inefficiencies.

We would like to thank management and staff for the assistance they provided to us during the audit.

We hope the information in this audit findings letter will be useful. We would be pleased to discuss them with you and respond to any questions you may have.

Yours truly,

Millard, Rouse & Rosebrugh LLP
Chartered Professional Accountants

A handwritten signature in blue ink, appearing to read 'M. McNally', with a long horizontal flourish extending to the right.

Matt McNally, CPA, CA

c.c. Al Meneses, Chief Administrative Officer, Amy Fanning, Treasurer