



## City of Brandon

2019 Audit Findings

Report to the Audit and Finance Committee

December 31, 2019

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## OVERVIEW

We are pleased to submit to you this Audit Findings Report (the "Report") for discussion of our audit of the consolidated financial statements of City of Brandon (the "City") as at December 31, 2019 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Audit and Finance Committee.

As auditors, we report to the members of Council on the results of our examination of the consolidated financial statements of the City as at and for the year ended December 31, 2019. The purpose of this Report is to assist you, as members of the Audit and Finance Committee, in your review of the results of our audit.

This Report is intended solely for the information and use of the Audit and Finance Committee and management and should not be distributed to or used by any other parties than these specified parties.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

## ENGAGEMENT STATUS

We have completed our audit of the consolidated financial statements of the City which has been carried out in accordance with Canadian generally accepted auditing standards and are prepared to sign our Independent Auditor's Report subsequent to completion of the following procedures:

- Receipt of the signed management representation letter;
- Discussion of subsequent events with the Audit and Finance Committee;
- the Audit and Finance Committee review and approval of the consolidated financial statements.

No significant limitations were placed on the scope or timing of our audit.

## INDEPENDENT AUDITOR'S REPORT




We expect to have the above procedures completed and to release our Independent Auditor's Report on August 12, 2020.







Unless unforeseen complications arise, our Independent Auditor's Report will provide an unmodified opinion to the members of Council of the City. A draft copy of our proposed Independent Auditor's Report has been included separate to this report. The matters disclosed in the Independent Auditor's Report are discussed further in the relevant sections of the Report.

## AUDIT REPORTING MATTERS

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the consolidated financial statements considered separately.

### SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

AREA	COMMENTS
 <b>CHANGES FROM AUDIT SERVICE PLAN</b>	There were no deviations from the Audit Service Plan previously presented to you.
 <b>FINAL MATERIALITY</b>	Final materiality used for our audit was \$3,500,000 for December 31, 2019, and \$3,000,000 for December 31, 2018.
 <b>IDENTIFIED OR SUSPECTED FRAUD</b>	While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.

AREA	COMMENTS
 <b>IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS</b>	Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the consolidated financial statements. See Appendix A and B for the auditor's reports for Compliance with the Municipal Act and Gas Tax Agreement.
 <b>MATTERS ARISING IN CONNECTION WITH RELATED PARTIES</b>	No significant matters arose during the course of our audit in connection with related parties of the City.
 <b>GOING CONCERN</b>	No events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern.
 <b>AUDITOR'S VIEWS OF SIGNIFICANT ACCOUNTING PRACTICES, ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES</b>	<p>The application of Canadian public sector accounting standards allows and requires the City to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.</p> <p>The accounting policies used by the City are appropriate and have been consistently applied.</p>
 <b>FINANCIAL STATEMENT DISCLOSURES</b>	The disclosures made in the notes to the consolidated financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the consolidated financial statements.
 <b>MATTERS ARISING FROM DISCUSSIONS WITH MANAGEMENT</b>	There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.

### SIGNIFICANT RISK AREAS AND RESPONSES

SIGNIFICANT RISK AREA	RESPONSE AND CONCLUSION
<b>Tax revenues</b>  Revenue transactions occurred close to the end of the period.	Re-added property tax revenue per financial plan, agreed to general ledger, as well as to the tax assessment summary provided by the Province of Manitoba.  Based on completed procedures, we concluded that tax revenue is completely and accurately stated.
<b>Other revenues</b>  The client is unable to provide documentation supporting the completeness of revenue.	Perform substantive testing on other revenue, tracing to subsequent deposit. Perform account receivable cut off test to ensure all revenue is recorded to proper period.  Based on the testing performed, the completeness of other revenue was supported.

**OTHER AREAS**

AREA	COMMENTS
<b>AUDITOR INDEPENDENCE</b>	We confirm to the Audit and Finance Committee that we are independent of the City. Our letter to the Audit and Finance Committee discussing our independence is included as part of the additional materials attached to this report.
<b>MANAGEMENT REPRESENTATIONS</b>	We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit. This letter, provided by management, has been included as additional material to this report.
<b>SUMMARY OF SIGNIFICANT DIFFERENCES</b>	No significant differences were proposed to management with respect to the December 31, 2019 consolidated financial statements.

We appreciate having the opportunity to meet with you and respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,



**Chartered Professional Accountants**

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## **Appendix A – Auditor’s Report on Compliance with Municipal Act**

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To the Members of the Council of the City of Brandon

We have undertaken a reasonable assurance engagement of the City of Brandon’s (“City”) compliance from January 1, 2019 to December 31, 2019 with the criteria established by the Manitoba Municipal Relations as required by Section 190(2) of the Municipal Act (“Act”) of the Province of Manitoba.

### ***Management’s Responsibility***

Management is responsible for the City’s compliance with the criteria established by Section 190(2) of the Act. Management is also responsible for such internal control as management determines necessary to enable the City’s compliance with Section 190(2) of the Act.

### ***Our Responsibility***

Our responsibility is to express a reasonable assurance opinion on the City’s compliance with the criteria established by Section 190(2) of the Act based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with Canadian Standard on Assurance Engagements 3531, *Direct Engagements to Report on Compliance*. This standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the entity complied with the criteria established by Section 190(2) of the Act, in all significant respects.

Reasonable assurance is a high level of assurance but is not a guarantee that an engagement conducted in accordance with this standard will always detect a significant instance of non-compliance with the Act when it exists. Instances of non-compliance can arise from fraud or error and are considered significant if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report. A reasonable assurance compliance reporting engagement involves performing procedures to obtain evidence about the entity’s compliance with the criteria established by Section 190(2) of the Act. The nature, timing and extent of procedures selected depends on our professional judgment, including an assessment of the risks of significant non-compliance, whether due to fraud or error.

We believe the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Our Independence and Quality Control***

We have complied with the independence and other ethical requirements of the Municipal Act, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

## **Appendix A – Auditor’s Report on Compliance with Municipal Act - continued**

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The firm applies Canadian Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### ***Opinion***

In our opinion, the City complied with the criteria established by Section 190(2) of the Act from January 1, 2019 to December 31, 2019, in all significant respects.

We do not provide a legal opinion on City’s compliance with the criteria established by Section 190(2) of the Act.

### ***Restriction on Distribution and Use of Our Report***

Our report is intended solely for the City and Manitoba Municipal Relations and should not be distributed to or used by parties other than the City or Manitoba Municipal Relations.

Brandon, Manitoba,  
August 12, 2020

The logo for MNP LLP, featuring the letters 'MNP' in a large, bold, sans-serif font, with 'LLP' in a smaller, similar font to the right.

Chartered Professional Accountants

cc: Mr. Nick Kulyk, A/Director  
Manitoba Municipal Relations  
508-800 Portage Avenue  
Winnipeg, MB R3G 0N4

## **Appendix B - Independent Auditor's Report on Compliance with Agreement**

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To the Members of the Council of the City of Brandon:

### **Opinion**

We have audited the Federal Gas Tax Revenue Annual Expenditure Report of the City of Brandon the ("City") for the year ended December 31, 2019.

In our opinion, the accompanying Federal Gas Tax Revenue Annual Expenditure Report of the City for the year ended December 31, 2019 is prepared, in all material respects, in accordance with the criteria established by the terms and conditions of Part 6.1(1)-(c) and Schedules 1 and 2 of the Manitoba-Municipal Gas Tax Funding Agreement for the Transfer of Federal Gas Tax Revenues between the Province of Manitoba and the City of Brandon.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Federal Gas Tax Revenue Annual Expenditure Report section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the Federal Gas Tax Revenue Annual Expenditure Report in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the Federal Gas Tax Revenue Annual Expenditure Report**

Management is responsible for the preparation of the Federal Gas Tax Revenue Annual Expenditure Report, in accordance with the criteria established by the terms and conditions of Part 6.1(1)-(c) and Schedules 1 and 2 of the Manitoba-Municipal Gas Tax Funding Agreement for the Transfer of Federal Gas Tax Revenues between the Province of Manitoba and the City of Brandon, and for such internal control as management determines is necessary to enable the preparation of the Federal Gas Tax Revenue Annual Expenditure Report that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the City's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Federal Gas Tax Revenue Annual Expenditure Report**

Our objectives are to obtain reasonable assurance about whether the Federal Gas Tax Revenue Annual Expenditure Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Federal Gas Tax Revenue Annual Expenditure Report.

## Appendix B - Independent Auditor's Report on Compliance with Agreement - Continued

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As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Federal Gas Tax Revenue Annual Expenditure Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the accompanying Federal Gas Tax Revenue Annual Expenditure Report and whether the accompanying Federal Gas Tax Revenue Annual Expenditure Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Brandon, Manitoba  
June 24, 2020

*MNP LLP*

Chartered Professional Accountants



**CITY OF BRANDON**  
**FEDERAL GAS TAX REVENUE ANNUAL EXPENDITURE REPORT**  
**YEAR ENDED DECEMBER 31, 2019**

	ANNUAL	CUMULATIVE
Unspent Fund Balance, beginning of year	\$ 3,606,578	\$ -
Received from Province of Manitoba	6,130,567	37,716,463
Interest Earned	81,590	705,200
Less: Administrative Costs		
Expenditures on Eligible Projects		
Main Per Capita Projects	(2,827,805)	
Main Per Capita -Transit Projects	(506,899)	
	(3,334,704)	(31,937,632)
<b>Subtotal</b>	<b>(3,334,704)</b>	<b>(31,937,632)</b>
<b>Unspent Fund Balance, end of year</b>	<b>\$ 6,484,031</b>	<b>\$ 6,484,031</b>
<b>Unspent fund balance consists of:</b>		
Due from general operating		<b>\$ 6,484,031</b>

August 12, 2020

Val Rochelle  
City of Brandon  
410 - 9th Street  
Brandon, MB R7A 6A2

Dear Val:

We have been engaged to audit the consolidated financial statements of City of Brandon ("the City") as at December 31, 2019 and for the year then ended.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the City and its related entities or persons in financial reporting oversight roles at the City and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body and applicable legislation, covering such matters as:

- (a) Holding a financial interest, either directly or indirectly, in a client;
- (b) 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 or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are not aware of any relationship between the City and MNP that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred from January 1, 2019 to August 12, 2020.

We hereby confirm that MNP is independent with respect to the City within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Manitoba as of August 12, 2020.

The total fees charged to the City for audit services were \$44,000.00 during the period from January 1, 2019 to August 12, 2020.

This report is intended solely for the use of Council, management and others within the City and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Sincerely,

The signature is written in a cursive, handwritten style. The letters 'MNP' are significantly larger and more prominent than the 'LLP' which follows. The ink appears to be black or dark blue.

**Chartered Professional Accountants**

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