

Management's Responses to items noted in 2019 Audit

Control and Other Observations

| Item | Observation | Management Response |
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| Consistency of budgeting and financial reporting | <p>Observations (2018):</p> <p>During our audit, we noted that the operating and capital budgets that are approved by Council are prepared on a basis that differs from the budgets that are presented in the County's consolidated financial statements, which are prepared in accordance with the Canadian Public Sector Accounting Standards.</p> <p>In addition, we identified certain instances on the consolidated financial statements where certain budgeted revenues and expenditures were presented in an alternate format from the budget that was approved by Council; however, in aggregate the budgeted revenues and expenditures did agree to the approved budget.</p> <p>Recommendation:</p> <p>We recommend that the County prepare a reconciliation between the operating and capital budgets that are to be approved by Council to the budgets that will be presented in the County's consolidated financial statements and include this reconciliation when the Council approves the operating and capital budgets. In addition, we recommend that when certain budgeted revenues and expenditures are reclassified from what was originally approved by Council, management should maintain a road map of the changes to the budget that was approved by Council.</p> <p>2019 Update:</p> <p>We noted that the budgets were adjusted throughout the year for various council decisions which had to be reversed out of the budget for financial statement purposes as they were not part of the final approved budget. In the current year, the County changed this process by working directly in D365. The final approved budget was being pulled from in D365 instead of working from the adjusted budget, eliminating the need to reconcile back the original budget. As such, we consider this matter to have been addressed and will remove the observation in future years.</p> | <p>Management is continuing to review and lean out processes to ensure that they are streamlined, efficient, and effective. Management is also utilizing the Enterprise Resource Management Planning system (D365) functionality to support this end.</p> |

Control and Other Observations (con't)

| Item | Observation | Management Response |
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| Asset Management System Reconciliation to the Financial Records | <p>Observation (2017):</p> <p>Annually, the County reconciles its capital projects recorded in its financial system with the capital projects recorded in its asset management system. In 2017, a number of variances were identified all of which related to contributed tangible capital assets.</p> <p>Recommendation:</p> <p>Contributed tangible capital assets are challenging as they represent assets that are not paid for but rather are contributed by developers. The annual reconciliation performed by the County is a good detective control; however, we recommend that the county refine control processes that would limit the occurrence of such errors related to maintaining dual records (asset management and financial) for tangible capital assets. The County should fully integrate the asset management system so that assets can be managed and recorded in real time within the financial records.</p> <p>2019 Update:</p> <p>During our work performed over contributed tangible capital assets, we identified a cut-off error land that was transferred to the County in 2017 but was not recorded in the County's consolidated financial statements until fiscal 2019.</p> <p>The County has two established processes to verify the completeness, existence and accuracy of its tangible capital assets:</p> <ol style="list-style-type: none"> 1. Departmental review of the tangible capital asset listing for each department, with sign-off verifying the completeness of the listing and existence of all assets included therein; and 2. Reconciliation between the County's land title registry, asset management system and financial records to ensure all land under County ownership has been recognized in the financial statements. <p>We continue to recommend that the County move to maintaining one fully integrated asset management system.</p> | <p>Management will continue to refine the processes used to reconcile capital projects between systems. Management has incorporated this recommendation into the D365 long term capital plan which includes a review of all County systems.</p> <p>The County has also refined the processes to reconcile land between land titles, Camalot, Bellamy and D365.</p> |

Control and Other Observations (con't)

| Item | Observation | Management Response |
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| Capital budget, including budgeting for contributed tangible capital assets | <p>Observations (2017): We noted that the budgeted amounts for the acquisition of tangible capital assets was significantly different than the actual acquisitions for the year. This variance is, in large part, a result of unspent carry forward amounts for capital expenditures that were budgeted for in prior years that have fallen behind plan, or have not occurred as scheduled.</p> <p>We acknowledge that the County has controls in place to monitor the progress of capital projects in progress and that these results are reported to Council on a regular basis; however, this underlying understanding of the timing of capital projects does not fully translate to the capital budget approved by Council and the amounts that are ultimately reported within the consolidated financial statements of the County.</p> <p>Recommendation: We recommend that the County review the components of its capital plan. These components include its processes for capital budget amendments, its historic capital priorities including approved but delayed capital projects, and the carry-forward amounts that are brought forward into the upcoming fiscal year to ensure the County has the capacity and funds necessary to execute and complete the capital projects.</p> <p>2019 Update: We continue to recommend that the County review the components for the capital plan.</p> | <p>Management agrees with the recommendation to review the components of its capital plan. Management has taken steps to implement this recommendation including:</p> <ul style="list-style-type: none"> • Annual presentation of the Sustainable Capital Spending limits to Senior Management • Creating a Capital Stewardship Committee that provides ongoing oversight of approved projects. • Implementing a new long-term capital planning methodology that incorporates both cash flow forecasting and resource constraints. • Implementing a new capital budget process which places increased scrutiny on capital projects. • Implementing a new capital budget model utilizing Priority Based Budgeting concepts will provide further support to the decision-making process. <p>These changes will meet the requirements of this recommendation for the 2022 budget cycle.</p> |
| Year End Processes | <p>Observation 2019: Through inspection of year end reporting information and discussions with management and staff, we noted there were some discrepancies in staff understanding as well as deficiencies in the year end processes and working papers.</p> <p>Recommendation: As described in our preliminary report provided to County administration, we recommend that administration continue to streamline the process through implementing consistent working paper criteria, ensuring staff have a thorough understanding of processes and documentation purposes, structured year end and month end procedures, and thorough review and sign off implementation.</p> | <p>Management is continuing to review and lean out processes to ensure that they are streamlined, efficient, and effective. Management is also utilizing D365 functionality to support this end.</p> <p>In the Fall of 2019, Management began an improvement project that will focus directly on streamlining processes, standardizing working papers, staff training, and internal controls. This project will fully address this recommendation in the coming years.</p> |