Management's Responses to items noted in 2018 Audit

Financial Statement presentation and disclosure

Item	Observation	Management Response
Application of accounting pronouncements issued but not yet effective	As described in Note 1(m) of the County's consolidated financial statements, a number of new Canadian public sector accounting standards will be in effect beginning with the County's December 31, 2019 year end and beyond. These new standards include: PS3430 – Restructuring Transactions; PS1201 – Financial Statement Presentation; PS2601 – Foreign Currency Transactions; PS3041 – Portfolio Investments; PS3280 – Asset Retirement Obligations; PS3450 – Financial Instruments; and PS3400 – Revenue. Although it is not anticipated these new accounting standards will result in significant measurement differences in the County's consolidated financial statements in future years, additional disclosures will likely need to be provided.	Management agrees with the recommendation to identify the potential impact of all new accounting standards. An existing process is in place to identify and implement new accounting standards. The process in place will fully address the upcoming standards. Management is aware specific standards will take a considerable amount of effort and is forward planning to identify resources required and ensure compliance is achieved.

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Control and other observations

Item	Observation	Management Response
Consistency of budgeting and financial reporting	**Observations (2018):** 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. 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. **Recommendation:** 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.	The operating and capital budgets approved currently by Council are prepared in a format that allows the municipality to clearly demonstrate the overall impact on taxation. Management agrees with KPMG's recommendation regarding providing a reconciliation of the two budget representations between the audited financial statement presentation and the current budget presentation approved by Council. Any budget reclassifications follow the approval process set out regarding the CAO contingency. In 2018 management implemented a processes to track any budget changes to clearly highlight areas of change.

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Control and other observations (con't)

Item	Observation	Management Response
Asset Management System Reconciliation to the Financial Records	**Observation (2017):** 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. **Recommendation:** 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. **2018 Update:** During our work performed over contributed tangible capital assets, we identified a cut-off error land that was transferred to the County in 2016 but was not recorded in the County's consolidated financial statements until fiscal 2018. Additionally, we noted one instance where a project under construction was completed on October 12, 2017, but was not transferred into service until fiscal 2018. The County has two established processes to verify the completeness, existence and accuracy of its tangible capital assets:	Management will continue to refine the processes used to reconcile capital projects between systems. Management has incorporated this recommendation into the Enterprise Resource Planning (ERP) long term capital plan which includes a review of all County systems. The county has refined the process to reconcile land between land titles, camalot, Bellamy and Dynamics AX. We will continue to refine the process to reduce the risk of land being missed. With the refinements this year we were able to find the land from 2016 that had been previously missed. With our ERP strategy this risk should be further reduced in the future.

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Control and other observations (con't)

Item	Observation	Management Response
Asset Management System Reconciliation to the Financial Records (con't)	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. We continue to recommend that the County move to maintaining one fully integrated asset management system.	
Capital budget, including budgeting for contributed tangible capital assets	**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. 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. **Recommendation:** We recommend that the County review the components of its capital	Management agrees with the recommendation to review the components of its capital plan. Management has taken steps to implement this recommendation including: • Annual presentation of the Sustainable Capital Spending limits to Senior Management • Creating a Capital Stewardship Committee that provides ongoing oversite 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. These changes will meet the requirements of this recommendation for the 2020 budget cycle.

Control and other observations (con't)

Item	Observation	Management Response
Capital budget, including budgeting for contributed tangible capital assets (con't)	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. **2018 Update:** We note that for years after 2018, changes in the MGA require the County to budget on a 4-year cycle, which is expected to increase the budgeting precision as the County is required to look at projects and capacity more holistically rather than in isolation on a year by year basis and would expect that this matter will be resolved in future years.	