

Rocky View County

Audit planning communication to the Members
of Council for the year ended December 31,
2023

START

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To the Members of Council of Rocky View County

We are pleased to provide you with this planning communication to highlight and explain key issues which we believe to be relevant to the **audit of Rocky View County (the “County”) financial statements for the year ended December 31, 2023.**

The enclosed planning communication includes our approach to your audit, the significant risks we have identified and the terms of our engagement. At the year-end meeting, we will provide you with a copy of our draft audit opinion and discuss the nature, extent and results of our audit work. We will also communicate any significant internal control deficiencies identified during our audit and reconfirm our independence.

Our audit and therefore this communication will not necessarily identify all matters that may be of interest to the Members of Council in fulfilling its responsibilities. This communication has been prepared solely for the use of the Members of Council and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We look forward to completing our draft audit report opinion and discussing our conclusions with you. In the meantime, please feel free to contact us if you have any questions or concerns.

Yours truly,




BDO Canada LLP
January 19, 2024



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Audit at a glance

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- 14  January 2024
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- 17
- 20  March 2024



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Your dedicated BDO audit team

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Our independence



We have complied with relevant ethical requirements and are not aware of any relationships between Rocky View County and our Firm that may reasonably be thought to bear on our independence.

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Audit timeline



BDO'S DIGITAL AUDIT SUITE

APT Next Gen

We use our APT Next Gen software and documentation tool to save time, streamline processes, and go paperless with your audit.

[LEARN MORE](#)

DISCOVER THE DIGITAL DIFFERENCE



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Auditor's responsibilities: financial statements

We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management, with oversight by those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. The scope of our work, as confirmed in our engagement letter attached as Appendix A to this letter, is set out below:

Year-End Audit Work

- ▶ Work with management towards the timely issuance of the financial statements, tax returns and consents for offering documents.
- ▶ Provide timely and constructive management letters. This will include deficiencies in internal control identified during our audit.
- ▶ Present significant findings to the Members of Council including key audit and accounting issues, any significant deficiencies in internal control and any other significant matters arising from our work.



We are required to obtain an understanding of the system of internal control in place in order to consider the adequacy of these controls as a basis for the preparation of the financial statements, to determine whether adequate accounting records have been maintained and to assess the adequacy of these controls and records as a basis upon which to design and undertake our audit testing.

We are required to report to you in writing about any significant deficiencies in internal control that we have identified during the audit.

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Auditor's responsibilities: fraud

We are responsible for planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud, by:

- ▶ Identifying and assessing the risks of material misstatement due to fraud;
- ▶ Obtaining sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- ▶ Responding appropriately to fraud or suspected fraud identified during the audit.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

Behind the audit report



Learn how we audit your
financial statements

[SEE OUR PROCESS](#)

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Auditor's responsibilities: fraud

Throughout our planning process, we performed risk assessment procedures and related activities to obtain an understanding of the entity and its environment, including **the County's** internal control, to obtain information for use in identifying the risks of material misstatement due to fraud and made inquiries of management regarding:

- ▶ **Management's** assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;
- ▶ **Management's** process for identifying and responding to the risks of fraud in the County, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
- ▶ **Management's** communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in Rocky View County; and
- ▶ **Management's** communication, if any, to employees regarding its view on business practices and ethical behavior.

We are not currently aware of any fraud affecting the County. If you are aware of any instances of actual, suspected, or alleged fraud, please let us know.

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Significant risks and planned responses

We have identified the following significant risks that require special audit consideration. These risks were identified based on our knowledge of the County, our past experience, and input from management and the Members of Council. Please review these significant risks and let us know your thoughts on these or any other areas of concern.

Financial statement areas	Risks noted	Audit approach
Significant Risk - Revenue Recognition	There is a presumed fraud risk associated with revenue recognition. Specifically, there is a risk that revenue may not be recorded correctly or recognized in the proper period.	BDO will combine a substantive analytical procedure with sample testing to test proper recognition of revenue. We will examine funding agreements and confirm that associated revenues are properly recognized, accurately recorded, and if there are any restrictions.
Significant Risk - Management override of controls	The risk of management override is inherent in all organizations and is the result of management's ability to override controls and manipulate accounting records.	BDO will review management's estimates for bias, inspect journal entries for unusual transactions, verify adjusting journal entries are properly approved and documented, and perform fraud inquiries with all levels of management including those charged with governance.
Significant Risk - Deferred Contributions	There is a risk that deferred revenue does not align with funding statements and revenue recognized and/or amounts deferred are not valued correctly resulting in misstatements.	BDO will perform testing over deferred revenue by reviewing deferred continuity schedules and agreeing additions and utilizations to supporting documentation.
Significant risk - Completeness of Asset Retirement Obligation	PSAB's new PS 3280 represents a significant change in the accounting standards applied by the County. Application of this new standard requires use of estimates and significant professional judgement. This new standard creates a risk that environmental liability is not correctly valued in accordance with generally accepted accounting principles.	BDO will obtain an understanding of management's estimate of any future environmental liabilities. BDO will ensure that management's basis for calculation is in accordance with generally accepted accounting principles (PS 3280), we will obtain supporting evidence for inputs used in determination of the liability, follow up on any significant variances and propose adjustments if necessary. We will also review related financial statement note disclosures to ensure disclosures are in accordance with the applicable financial reporting framework.

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Materiality

We determined preliminary materiality to be \$6,000,000, based on 2.5% of Revenue.

Misstatements are considered to be material if they could reasonably be expected to influence the decisions of users based on the financial statements.

Our materiality calculation is based on the County’s preliminary results. If actual results change significantly, we will communicate those changes to the Members of Council as part of our year-end communication.

We will communicate all corrected and uncorrected misstatements identified during our audit to the Members of Council, other than those **which we determine to be “clearly trivial.”**

We encourage management to correct any misstatements identified throughout the audit process.

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How we audit financial statements: Our audit process

IDENTIFY AND ASSESS RISK

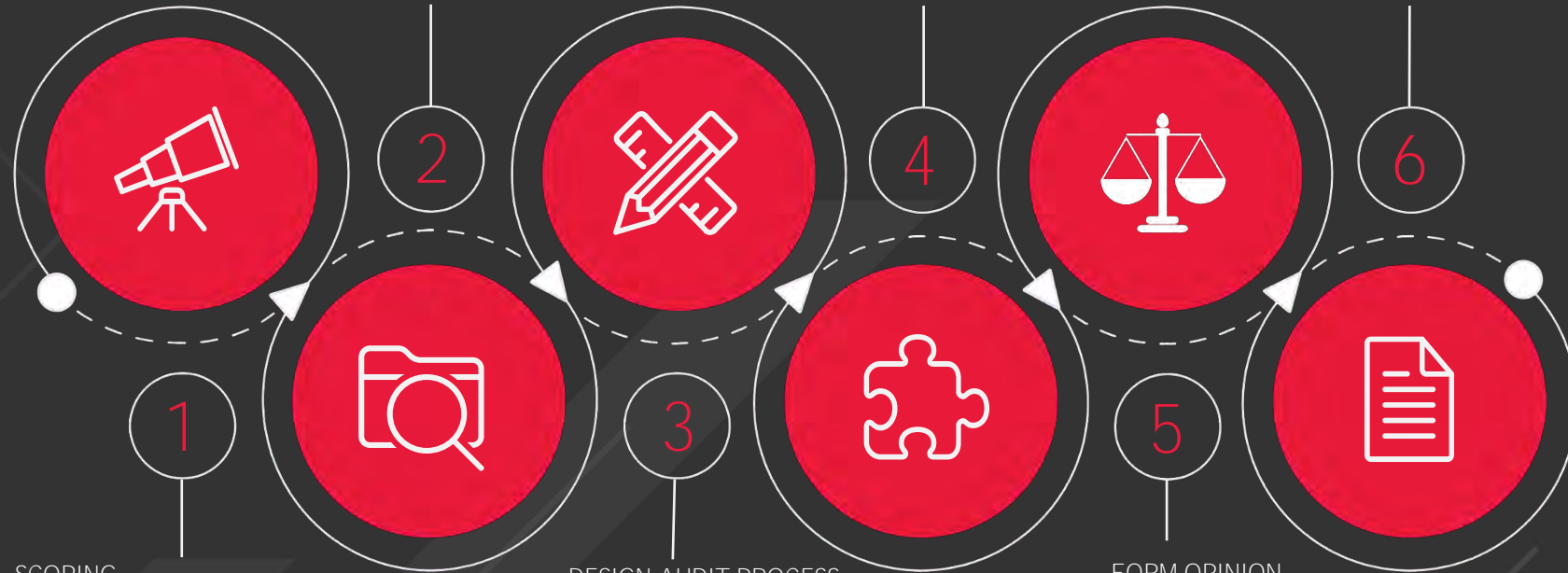
Focus on those areas of financial statements that contain potential material misstatements as a consequence of the risks you face

OBTAIN AUDIT EVIDENCE

Perform audit procedures while maintaining appropriate degree of professional skepticism, to conclude whether or not the financial statements are presented fairly

COMMUNICATION

Communicate our opinion and details of matters on which we are required to communicate



SCOPING

Complete a preliminary review to plan the audit, determine the materiality level, and define the audit scope

DESIGN AUDIT PROCESS

Design an appropriate audit strategy to obtain sufficient assurance and enable us to report on the financial statements

FORM OPINION

Evaluate whether we have enough evidence to conclude that the financial statements are free from material misstatement, and consider the effect of any potential misstatements found

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How the firm’s system of quality management supports the consistent performance of quality audit engagements

The firm’s system of quality management complies with the requirements set out in Canadian Standard on Quality Management 1 - Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (CSQM 1) as issued by the Auditing and Assurance Standards Board (AASB).

In addition to the requirements set out in CSQM 1, we may have identified additional quality objectives and potential quality risks and have designed further policies and procedures to respond to these.

Taken together our system of quality management supports consistent performance of audit engagements by focusing on eight components that operate in an iterative and integrated manner. These include:

- 1 Firm risk assessment process
- 2 Governance and leadership
- 3 Relevant ethical requirements
- 4 Acceptance and continuance
- 5 Engagement performance
- 6 Resources
- 7 Information and communication
- 8 Monitoring and remediation process

Standard for Audit Quality



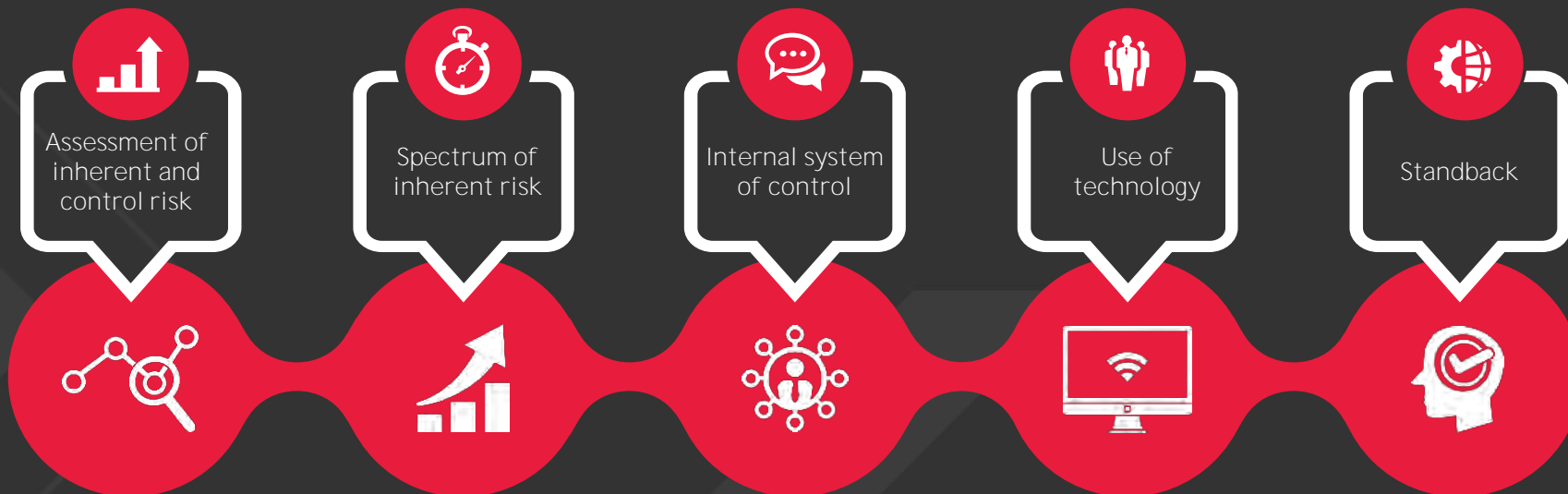
CSQM 1

The quality of an audit depends not only on the people conducting it—but also on the systems underpinning it. These new rules up the ante for your audit quality.

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Updates to our audit process

Canadian Auditing Standard 315, *Identifying and Assessing the Risks of Material Misstatement*, was significantly revised with a greater focus on more robust risk identification, assessment and response procedures. The standard is effective for periods beginning on or after December 15, 2021. Key enhancements include:



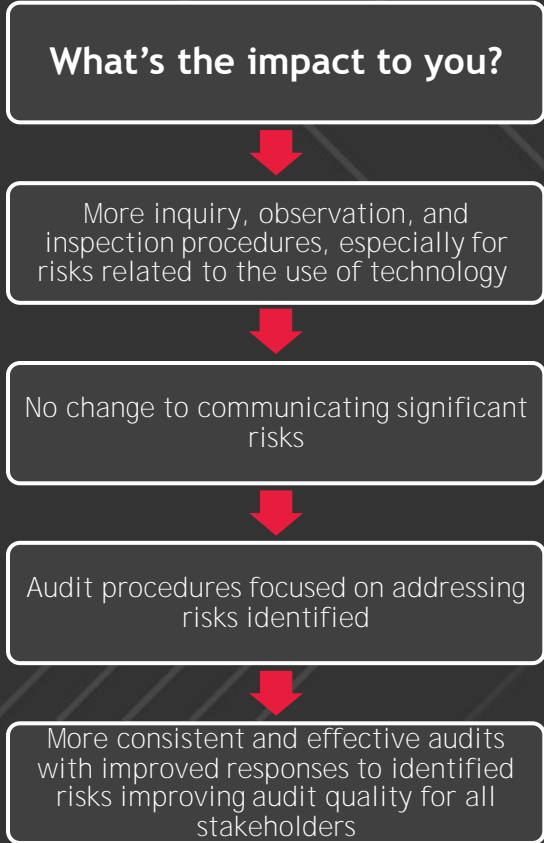
New guidance on identifying and assessing inherent risks (risk of material misstatement without consideration of control) and control risks (risk of control not preventing or detecting material misstatement)

Additional requirement to assess the likelihood and magnitude of misstatement, considering how inherent risk factors impact the degree to which inherent risk varies

Clarifying requirements on indirect and direct controls in the system of internal control and the need for evaluation of design and implementation of controls

Expanded information on the use of technology (IT environment and IT general controls) and related risks

More explicit standback requirement for evaluation of completeness and appropriateness of risk assessment process



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Our audit approach: Responsiveness in action

Our firm is deliberately structured to allow one partner to every six staff members. This means easy access to senior staff and the lead partner throughout your audit. It also helps our team gain a better understanding of your organization. Our audit process differs from the typical audit in our use of in-field reviews. The benefit of these in-field reviews is that final decision-makers are on site ensuring issues are resolved and files closed quickly. We offer clients the full-service expertise of a national firm. Yet we maintain a local community focus. The comprehensive range of services we deliver is complemented by a deep industry knowledge gained from over 100 years of working within local communities.



Discover how we're accelerating audit quality



Audit Quality Report

We collected our core beliefs around audit quality, the very practical steps we take to sustain it, and the progress we have made to accelerate its quest.

[Follow our progress](#)

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BDO's digital audit suite

Our digital audit suite of technologies enables our engagement teams to conduct consistent risk-based audits, both domestically and internationally, with maximum efficiency and minimal disruption to our clients' operations and people.



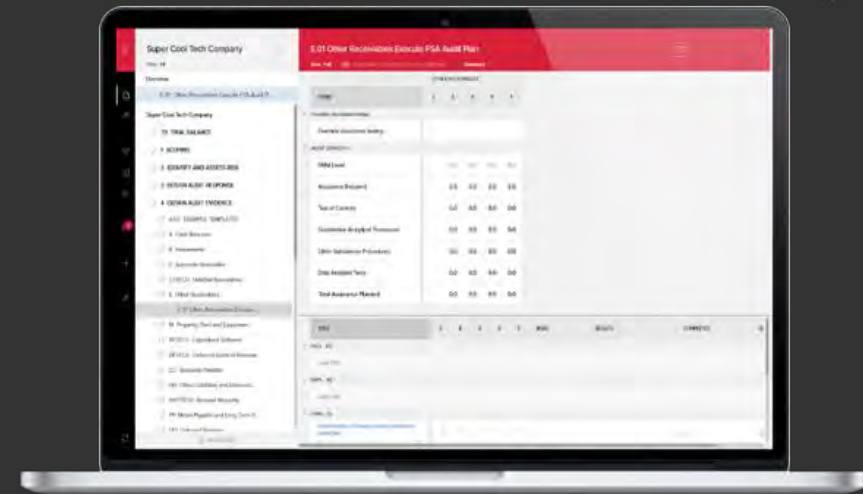
APT Next Gen

Our audit software and documentation tool, APT, is an integral part of our audit methodology. Our professionals engage APT to devise and perform appropriate, risk-based audit procedures and testing based on applicable Canadian Auditing Standards (CASs), as well as to factor in engagement and industry-specific objectives and circumstances.

APT enables us to deliver an audit that fits your organization—whether large or small; complex or basic.

This sophisticated tool also amplifies two key attributes of our audits: consistency and quality. The quality framework that we developed measures our audit performance with hard quality indicators and reflects our indispensable culture for quality. To see our audit quality and consistency in action, look no further than how our teams share best audit practices for continuous improvement.

Through a strategic alliance with Microsoft and the introduction of new technology, this global, cloud-based application can now streamline and focus the audit process in even more ways for BDO professionals and their clients.

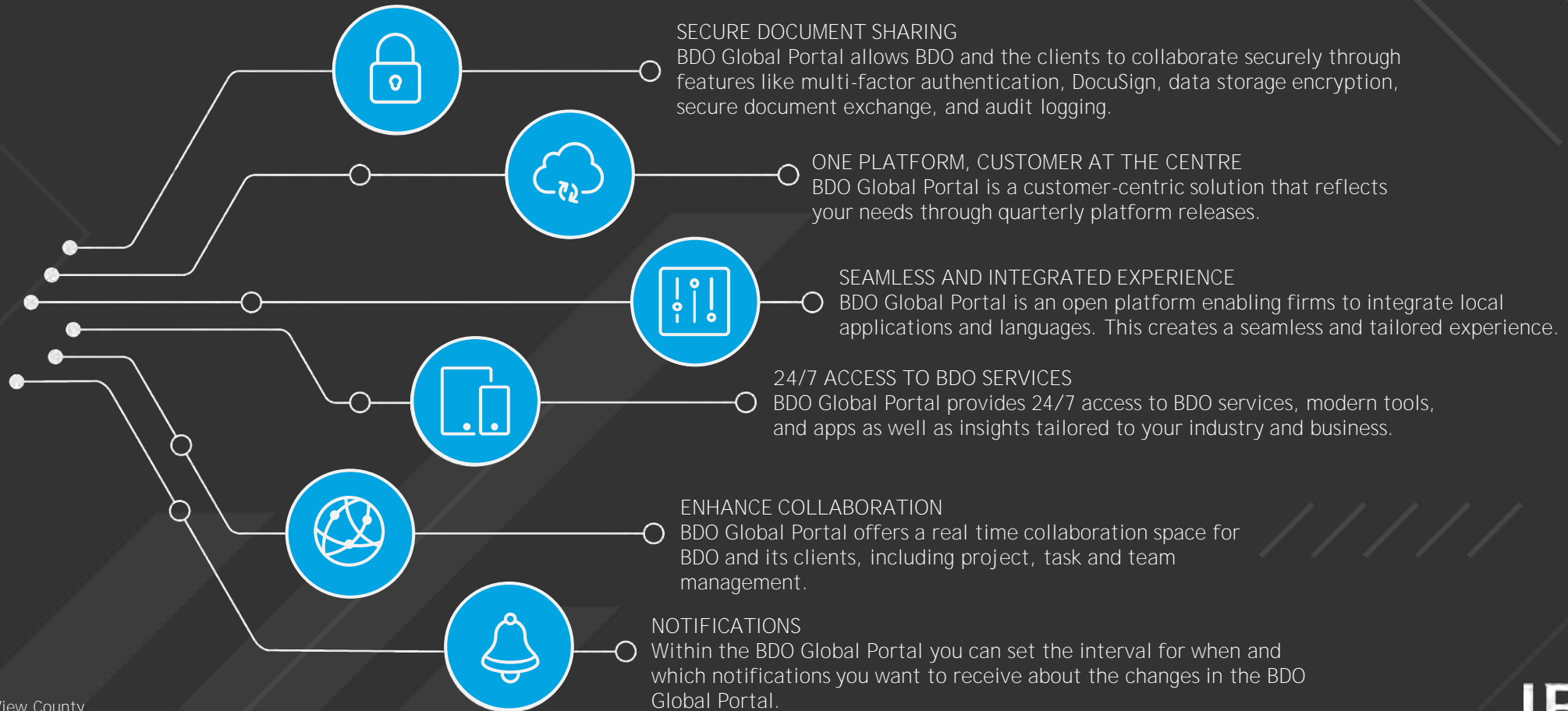


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BDO Global Portal

BDO Global Portal transforms and enhances your digital experience with your BDO advisors. Available at any time, Portal enables you to access all services, tools, apps, and information and to collaborate with your advisors in a seamless way through a flexible, appealing, and secure environment.



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Recommended Resource

Staying in the know with knowledge and perspective

Key changes to financial reporting



When the rules of reporting change, you may need to fine-tune how to present financial statements and govern the organization.

ACCESS OUR KNOWLEDGE CENTRE

The latest tax pointers



Corporate. Commodity. Transfer pricing. International tax. Government programs. Together they add up to immense differences on the **organization's bottom line.** Our tax collection keeps you current.

STAY ON TOP OF TAXES

Trending topics



As a community of advisors with the best interests of our clients in mind, we keep our ear to the ground to bring insights and perspectives related to key business trends to you.

EXPLORE NOW

Asset Retirement Obligations (ARO): A Practical Approach to Section PS 3280



This publication will walk through a practical approach to applying Section PS 3280 including: identification, recognition and measurement of an obligation, and the different options available to entities on transition.

READ ARTICLE

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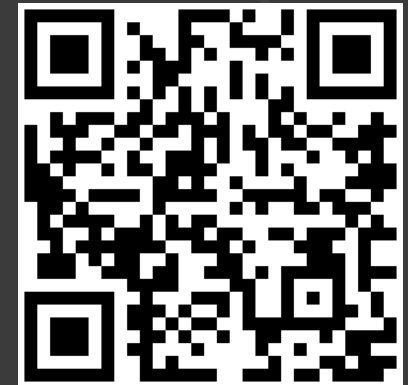
Spotlight on ESG



Transformative world events—an international health crisis, social movements, shareholder and investor values, global supply chains, energy transition, smart cities, and sustainable finance—are transforming Canadian business.

Standards and regulations are rapidly changing to reflect the goals of all of your stakeholders. Organizations, investors, and customers are embracing environmental, social, and governance (ESG) considerations as important measures of success. Non-financial and financial information is becoming more interconnected.

ESG Insights



Sector insights at your convenience

[EXPLORE NOW](#)

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Spotlight on public sector



Industry insights to shape your business

At BDO, we help governments create efficient ways of working to achieve better outcomes for their citizens and public servants. From technology-based solutions to program development, advisory and audit, our team can guide you through critical strategic decisions to ensure you deliver on your vision, goals, and accountability expectations.

Public sector Insights



Resources to support your business

[EXPLORE NOW](#)