



October 25, 2016

Town of Irricana
Box 100, 222 2 Street
Irricana, Alberta T0M 1B0

Re: Interim Audit of 2016 Financial Statements

Dear Sirs:

1. AUDIT PROCESS

As part of our audit process, we conduct an interim audit of the organization at a certain point of time during the year. We audit and review the financial records of the organization, internal controls, test the revenues and expenses to gain an insight of the current year records and to reduce the annual audit work for timely reporting on the year end financial statements. At this point of time no financial statements are prepared nor any audit report is issued on these financial statements.

As auditors, we report to the stakeholders on the results of our examination of the Town's consolidated financial statements after we complete our audit. This report summarizes our audit process and discusses issues that are of relevance to the Town council during our interim audit.

- Our audit was carried out in accordance with Canadian generally accepted auditing standards.
- Our audit procedures included a review of all significant accounting and management reporting systems.
- Each material balance, key transaction and other event considered significant to the consolidated financial statements at the year end was separately examined.
- Our audit process focused on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks.
 - This risk assessment enabled us to concentrate our audit procedures on the areas where differences were most likely to arise.
 - Our assessment was not, nor was it intended to be sufficient to conclude on the effectiveness or efficiency of internal controls.

- During the course of our audit, we have:
 - Examined on a test basis, evidence supporting the amounts and disclosures to be made in the consolidated financial statements;
 - Assess the accounting principles used and significant estimates made by management;
 - Obtained an understanding of the Town and its environment, including management's internal controls sufficient to identify and assess the risks of material misstatement of the consolidated financial statements and to design and perform audit procedures;
 - Reviewed and assessed those accounting systems deemed necessary to support our audit opinion;
 - Reviewed and assessed the status of contingencies and commitments;
- We have obtained written representation from management in order to confirm oral representations given to us and reduce the possibility of misunderstanding. Specifically, we have obtained written confirmation of significant representations provided on matters that are:
 - Directly related to items that are material, either individually or in the aggregate, to the consolidated financial statements;
 - Not directly related to items that are material to the consolidated financial statements, but are significant, either individual or in the aggregate, to the engagement; and,
 - Matters relevant to management judgments or estimates that are material, either individually or in the aggregate, to the consolidated financial statements.

2. INTERIM AUDIT APPROCH AND FINDINGS

AREAS OF AUDIT EMPHASIS

- The following lists the key areas of our audit emphasis for the Town.
 - Review of board minutes and bylaws.
 - Review of budget.
 - Review of internal controls.
 - Review of bank reconciliations and testing of income and expense.

INTERIM MATERIALITY

- Materiality used to assess the significance of misstatements or omissions identified during the interim audit and determine the level of audit testing performed was \$15,000. We have used the same materiality level as of prior year at our interim audit considering the users of financial statements, applying more substantiate testing at this point of time and our prior experience with the audit.

DIFFICULTIES ENCOUNTERED

- We have satisfactorily completed our interim audit procedures for each of the significant account balances and transaction stream. No significant limitations were placed on the scope or timing of our audit.

IDENTIFIED OR SUSPECTED FRAUD

- No incidents of fraud, or suspected fraud, came to our attention in the course of our interim audit.

IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS

- The Town regularly corresponds with various regulators and authorities regarding compliance that arise in the normal course of business. The town believes that any liabilities that might arise pertaining to such matters would not have a material effect on its consolidated financial position.
- Nothing has come to our attention that would suggest there is non-compliance with laws and regulations that would have a material effect on the consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES

- The accounting policies used by the Town are appropriate and have been consistently applied.

SIGNIFICANT MANAGEMENT ESTIMATES

- The preparation of the consolidated financial statements is subject to significant accounting estimates made by management. All significant managements estimates were reviewed for the current period and no material differences were noted.
 - Allowance for doubtful accounts – no provision was deemed necessary at this point of audit. Subsequent review of the accounts after the year end on outstanding accounts other than property taxes and utilities recorded receipts of payments supporting that position may or may not require any provision.
 - Provision for legal contingencies – no provision was deemed necessary at this point of audit in respect of civil suits of dismissal of employees.
 - Depreciation of property and equipment –This section will be audited at the year end time considering any forthcoming additions or disposals, if any.
 - Management and administration is required to prepare budgets for the fiscal year. The budgets are based on estimates of revenues necessary to cover expenditures for the upcoming year, including the costs of servicing debt and provision for addition to reserves established to support and fund future events. The estimates used in the budget reflected the expected and actual results for the year ended 2016.

INDEPENDENCE

- We confirm to council that we are independent of the Town of Irricana.

AUDIT FINDINGS

- Variance reporting
 - From our examination of the expenditures, we look for an account or a group of common accounts where the variance is greater than 10% or \$10,000. From this approach we found specific accounts that did exceed that variance, however in the common group they were under the variance tolerance.
 - Some of the variances in specific accounts might be due to the use of different accounts over comparative years.
- Audit findings which were reported in our finding report for 2015-year end; we did not see any action on these findings.
 - GST
 - We reviewed the GST reporting in 2016 and the summary of payments received from the prior year(s) – 2014 and earlier. The recorded GST receivable at December 31, 2015 is \$80,684 of which it appears \$20,478 is from the 2014 and possibly 2013 years. We have attached a summary of our review of the account in the general ledger that summarizes our findings. We would suggest that there needs to be some investigation of the overall account to determine what if any GST is recoverable from prior to 2016.
 - Development Bonds
 - There is a development bond liability in the amount of \$7,500 some of which date as far back as 2000. If it is determined that some of these are not going to be returned to the developers, the Town could consider reallocating some of these to a reserve.
 - Water and Sewer Builder Bonds
 - There is \$1,500 in bonds that also date as far back as 2003. As with the development bonds, if it is determined that these funds are not to be repaid to builder(s), the town could consider reallocating some of these to a reserve.
 - Accounts payable – miscellaneous 4-10-270-00
 - There is an unaccounted for balance of \$10,750.97 outstanding from the December 2014 year end. It may need adjusting to \$0.00 in 2016 if it is determined that it is not payable to anyone.

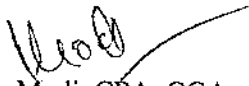
INTERIM AUDIT FINDINGS

- Bank reconciliations
 - We have noted that bank reconciliations are completed using the financial software, but no report is printed. The system does not permit printing the report afterwards. We recommend printing the bank reconciliation reports as part of towns records and we were assured that will be happening.
- IT General controls
 - No formal policy for backups and IT controls exists at this time. We have been informed that the backups are done weekly and monthly. We suggest a formal policy for IT controls and to ensure that all the data is backed up at regular intervals as determined by Town and kept at a secured place to mitigate any risks caused by loss of data for any reason.
- Payroll
 - Any examination of the payroll process will be completed during our final audit field work.
- Prepaid fees 4-10-00-413-00
 - This is prepaid fees. We recommend the details of the account be reviewed to ensure if the balance remains outstanding.

3. SUMMARY

No adjusting entries have been recommended at this point in time. We saw a great improvement in the records as compared to the prior year. Civic Solutions Inc. has done a great job training Justine. We did not encounter any difficulty getting information that we requested and our interim audit was completed as we planned.

Yours truly,



Rajiv Modi, CPA, CGA
Senior Accountant

Scase & Partners,
Professional Accountants