

**The Regional Municipality of
Wood Buffalo**
Report to Council on the 2021 audit

To be presented on
April 12, 2022

April 6, 2022

To the Mayor and Council ("Council") of the Regional Municipality of Wood Buffalo

Report on the audited annual consolidated financial statements

Dear Council Members:

We are pleased to submit this report on the status of our audit of the Regional Municipality of Wood Buffalo ("the Municipality") for the 2021 fiscal year. This report summarizes the scope of our audit, our findings and reviews certain other matters that we believe to be of interest to you. We are continuing to work with management to complete the outstanding matters summarized on page 1 of this report.

As agreed in our master service agreement dated October 15, 2016, and any subsequent confirmation of changes letters, we have performed an audit of the consolidated financial statements of the Municipality as of and for the year ended December 31, 2021, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report thereon dated April 12, 2022 once you have approved the consolidated financial statements and we complete any outstanding audit procedures up to the date of your approval.

Our audit has been conducted in accordance with the audit plan that was presented to the Municipality at the meeting on October 26, 2021.

This report is intended solely for the information and use of Council, management and others within the Municipality and is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,

A handwritten signature in cursive script that reads "Deloitte LLP".

Chartered Professional Accountants

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Executive summary



Audit scope and terms of engagement

We have been asked to perform an audit of the Municipality's consolidated financial statements (the "financial statements") prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS") as at and for the year ended December 31, 2021. Our audit was conducted in accordance with Canadian generally accepted auditing standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the master service agreement. We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.

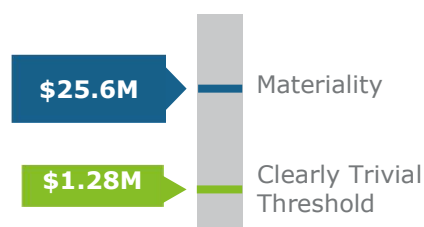


Significant risks

- 1 Presumed risk of fraud relating to revenue recognition
- 2 Management override of controls
- 3 Existence, completeness, classification and valuation of Tangible Capital Assets ("TCA")
- 4 Completeness and accuracy of deferred revenue
- 5 Completeness and cut-off of accounts payable, accruals, contractual obligations disclosed and commitments



Materiality and uncorrected misstatements



Materiality levels are determined on the basis of total expenses. Our final materiality for the year ended December 31, 2021 was \$25.6M (2020- \$25.5M). A summary of uncorrected misstatements above the clearly trivial threshold can be found in Appendix 2.



Outstanding Matters & Next Steps

Receipt and review of final version of the financial statements and the consolidation workbook

Receipt of signed Management representation letter and approval of consolidated financial statements

Completion of our subsequent events procedures

Completion and Receipt of evidence to complete testing and documentation of TCA and deferred revenue

Final audit partner review of select working papers

Completion of the engagement quality control review



Results

No restrictions have been placed on the scope of our audit. We intend to issue an unmodified audit report on the financial statements of the Municipality for the year ended December 31, 2021 once the outstanding matters referred to are completed satisfactorily and the financial statements are approved by Council

Significant audit risks and events

The significant audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below.

Significant risk dashboard

Legend



Significant level of management judgment involved



Minimal/No management judgment involved


D+I: Planned testing of the design and implementation of key controls

Resumed Risk of Fraud Relating to Revenue Recognition

Fraud Risk	Control Testing Planned	Level of management judgement	Specialist, Expert or Innovation Involvement
Yes	D+I		Deloitte visualization analytic tools were used to assess the tax roll in the year

Analysis of risk	Audit Response and Results
<p>Under Canadian GAAS, we are required to evaluate the risk of fraud in revenue recognition. We have evaluated the revenue transactions, and we have concluded that the significant risk is in the following areas:</p> <ul style="list-style-type: none"> Recognition of revenues based on the underlying funding agreements. Government transfers have not been recognized in circumstances where the specified conditions have been met. Recognition of government transfers in the incorrect period <p>This represents a fraud risk for the 2021 audit as estimates for contracts of this nature can be extremely complex and subjective.</p>	<ul style="list-style-type: none"> We evaluated the design and implementation of the internal controls that address this risk. We did not rely on controls. We reviewed the revenue recognition policy for compliance with PSAS. We use our visualization tool to test property taxes based on approved rates and identify any outliers We reviewed a sample of revenue transactions and revenue generating agreements to ensure the revenue is recognized in accordance with the policy and PSAS. We reviewed grant agreements to ensure funds were used for their intended purpose and that revenue was recognized in the appropriate period. We reviewed provincial and municipal contributions received during the year and ensure the amounts were appropriately recorded Tested the accuracy and completeness of the tax roll <p>We obtained sufficient audit evidence to conclude that there were no material misstatements.</p>

Management override of controls

Fraud Risk	Control Testing Planned	Level of management judgement	Specialist, Expert or Innovation Involvement
Yes	D+I		Artificial intelligence spotlight tool was used to perform journal entry testing.
Analysis of risk		Audit Response and Results	
<ul style="list-style-type: none"> Under Canadian GAAS, it is the responsibility of the management, with the oversight of those charged with governance, to place a strong emphasis on fraud prevention and detection. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process. Management override of controls is present in all entities. It is a risk of material misstatement resulting from fraud and therefore is considered as a significant risk. 		<ul style="list-style-type: none"> We discussed fraud with management. We asked Council for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting the Municipality and their role in the oversight of management's antifraud programs. We tested a sample of journal entries made throughout the period, and adjustments made at the end of the reporting period. We used our Spotlight tool to identify journal entries with specific characteristics for testing. We evaluated the business rationale for any significant unusual transactions. We determined whether the judgements and decisions related to management estimates indicate a possible bias, which included performing retrospective analysis of significant accounting estimates. <p>We obtained sufficient audit evidence to conclude that there were no material misstatements.</p>	

Existence, Completeness, Classification and Valuation of TCA

Fraud Risk	Control Testing Planned	Level of management judgement	Specialist, Expert or Innovation Involvement
No	D+I		Not applicable.
Analysis of risk		Planned audit response	
<p>There is a risk that TCA are not moved from the asset under construction account when a project is substantially complete and amortization expense is not appropriately recorded.</p> <p>Further, there is a risk that capital projects are not assessed for indicators of impairment and remain on the balance sheet even if the project is not going to be completed.</p> <p>The TCA processes and the ability of these processes to address the ongoing financial reporting requirements to the Municipality continue to represent a significant risk.</p>		<ul style="list-style-type: none"> We reviewed the Municipality's TCA policies for compliance with PSAS and consistency of application year over year. We reviewed the Municipality's current year transactions, adjustments and related disclosures. Our testing included, on a sample basis, reviewing amounts capitalized in the current year to ensure only amounts that met the requirements for capitalization were included. We reviewed the amortization rates and useful lives as well as the application of rates. We reviewed management's assessment of indicators of impairment, including TCA affected by the wildfire and flooding. We reviewed general and administrative costs capitalized during the year to assess whether costs 	


Existence, Completeness, Classification and Valuation of TCA

should have been capitalized instead of being expensed.


- We tested a sample of capital additions recorded as betterments to confirm they were appropriately treated as capital rather than expense in nature.
- We tested construction in progress and transfers made to completed TCA and confirmed if they were appropriately treated and complete.
- We reviewed a sample of recorded asset disposals and write-downs to ensure gains, losses and proceeds were correctly recorded. In addition, we reviewed Council minutes to identify approved asset disposals, as well as held discussions with asset managers to identify potentially unrecorded disposals.
- We reviewed the Municipality's process to ensure completeness of developer assets recorded.
- We tested TCA additions by reviewing project completion forms to ensure they were recorded in the correct period.
- We reviewed additions of contributed assets including the Municipality's methodology to determine the fair value of contributed assets.

A summary of uncorrected financial statement misstatements identified during the above testing are included in Appendix 2.

Completeness and Accuracy of Deferred Revenue

Fraud Risk	Control Testing Planned	Level of management judgement	Specialist, Expert or Innovation Involvement
No	D+I		Not applicable.
Analysis of risk		Planned audit response	
Revenue is recognized from the deferred balance when the funds are used for the purpose specified. There is a risk that revenue is not recognized in accordance with the funding agreements.		<ul style="list-style-type: none"> • We reviewed deferred revenue for compliance with PSAS. • We tested a sample of expenditures and ensured that related revenue had been recognized appropriately. • We reviewed federal and provincial transfer payments received during the year to fund specific projects. • We reviewed the related funding agreements to ensure funds were used for their intended purpose and that revenue was recognized in the appropriate period. 	
In addition, there is a risk that funding has not been recorded due to the decentralized nature of grant management and reliance on manual processes.		We obtained sufficient audit evidence to conclude that there were no material misstatements.	

Completeness and Cut-off of Accounts Payable, Accruals, Contractual Obligations Disclosed and Commitments

Fraud Risk	Control Testing Planned	Level of management judgement	Specialist, Expert or Innovation Involvement
No	D+I		Not applicable.
Analysis of risk		Planned audit response	
Contracting is decentralized within the Municipality. The ability to enter into contracts resides within several departments. The Municipality contracts with third parties to provide services that satisfy the requirements of the funding source. These contracts are external to the funding agreement and can have additional financial implications. Furthermore, the nature of the Municipality's operations allows for the possibility that there are financial obligations of which the finance department is not yet aware and that have not been recorded in the financial statements.		<ul style="list-style-type: none"> • We reviewed management's assessment of liabilities and commitments required to be recorded or disclosed under agreements entered in the year. • We reviewed a sample of funding contracts entered into in the year to audit management's treatment. • We tested disbursements made subsequent to year-end so as to ensure they have been accrued for in the correct period. • We confirmed year-end accounts payable balances with significant suppliers. • We tested a sample of reconciliations between supplier statements and sub ledger. • We reviewed management's process to reconcile and record manual electronic fund transfers, transactions, accounts payable and purchase order transactions recorded through "holding" accounts. • We reviewed the Municipality's process to ensure the completeness of contracts entered into. • Held inquiries with personnel independent of finance to identify unrecorded contractual agreements or contingent liabilities. <p>We obtained sufficient audit evidence to conclude that there were no material misstatements.</p>	

Group Audit

We are the auditors of all entities within the group. No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested. We have completed all stand-alone audits in accordance with our audit service plans.

Appendix 1 – Communication requirements and other reportable matters

Required communication	Reference	Refer to this report or document described below
Audit Service Plan		
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS ¹ 260.14	Master Service Agreement
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit b. Significant risks, including fraud risks c. Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audit 	CAS 260.15	Audit plan communicated on October 26, 2021
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27	We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgments by management concerning measurement or disclosure
Enquiries of those charged with governance		
4. How those charged with governance exercise oversight over management's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	CAS 240.21	We are not aware of any issues regarding this process
5. Any known suspected or alleged fraud affecting the Municipality	CAS 240.22	We are not aware of any fraudulent events
6. Whether the Municipality is in compliance with laws and regulations	CAS 250.15	We have not identified any non-compliance with laws and regulations
Year End Communication		
7. Fraud or possible fraud identified through the audit process	CAS 240.40-.42	We are not aware of any fraudulent events

¹ CAS: Canadian Auditing Standards – CAS are issued by the Auditing and Assurance Standards Board of CPA Canada

Required communication	Reference	Refer to this report or document described below
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.	Significant audit risks and events
9. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.	Significant audit risks and events
10. Matters related to going concern	CAS 570.25	No matters related to issues with going concern have been identified
11. Consultation with other accountants		Management has informed us that the Municipality has not consulted with other accountants about auditing or accounting matters
12. Management judgments and accounting estimates	CAS 260.16 a.	Significant audit risks and events
13. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.	We did not encounter any significant difficulties while performing the audit. There were no significant delays in receiving information from management required for the audit nor was there an unnecessarily brief timetable in which to complete the audit
14. Material written communications between management and us, including management representation letters	CAS 260.16 c.	Management representation letter
15. Circumstances that affect the form and the content of the auditor's report	CAS 260.16.d.	Draft auditor's report
16. Other matters that are significant to the oversight of the financial reporting process	CAS 260.16e.	No other matters to report
17. Modifications to our opinion(s)	CAS 260.A21	No modification required
18. Other significant matters discussed with management	CAS 260.A.22	Significant matters discussed, or subject to correspondence with management include such matters as: <ul style="list-style-type: none"> Significant events or transactions that occurred during the year. Impact of COVID-19 on the Municipality For further details, please see the Significant audit risks and events section
19. Matters involving non-compliance with laws and regulations that come to our attention, unless prohibited by law or regulation, including Illegal or possibly illegal acts that come to our attention	CAS 250.23	Our limited procedures did not identify any areas of material non-compliance with laws and regulations by RMWB, that are not otherwise prohibited to disclosed by law or regulation
20. Litigation		Litigation has been appropriately identified and provided for where required

Required communication	Reference	Refer to this report or document described below
21. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	CAS 265	No significant deficiencies in internal control to report that impacted our ability to complete the audit
22. Uncorrected misstatements and disclosure items	CAS 450.12-13	Appendix 2 - Uncorrected misstatements and uncorrected disclosure misstatements
Other reportable matters		
23. Changes to the audit plan	CAS 260.A26	The audit was conducted in accordance with our audit plan, which was communicated to Council. We confirm that there have been no significant amendments to the audit scope and approach communicated in the audit plan
24. Concerns regarding management competence and integrity		We have not determined any concerns regarding management competence and integrity
25. Disagreements with management		In the course of our audit, we did not encounter any disagreements with management about matters that individually or in the aggregate could be significant to the financial statements
26. Post-balance sheet events		At the date of finalizing this report, we are not aware of any significant post balance sheet events
27. Reliance on service organizations		Not applicable
28. Limitations when sending confirmations		Not applicable
29. Other significant matters arising from the audit		No other significant matters

Appendix 2 – Summary of uncorrected financial statement misstatements and summary of disclosure items passed



Disclosure misstatements

1. In accordance with PS 1200, *Financial Statement Presentation*, financial statements should present a prior period continuity schedule related to tangible capital assets in the note disclosures in the Financial Statements for the current year.
2. Amounts included in accounts payable and accrued liabilities that related to the acquisition of tangible capital assets have not been quantified. As a result, the Municipality has misstated cash from operating activities and cash applied to the capital activities in the consolidated statement of cash flows.
3. The purchase and sale of investments have not been presented on a gross basis on the consolidated statement of cash flows.



Uncorrected misstatements

- Please see Appendix A in on the next page

Appendix A

Regional Municipality of Wood Buffalo

Summary of uncorrected financial statement misstatements

Year ended December 31, 2021

No.	Description	Error Identified	Error Type	Financial Statement Line Impact	Financial Assets	Liabilities	Non-financial Assets	Accumulated Surplus	Revenue	Expenses
					Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
1	Projects that are substantially complete have not been transferred from Assets under construction ("AUC") to Tangible Capital Assets ("TCA").	Reclassification of Non- Financial Assets from AUC to TCA	Judgemental	Tangible Capital Assets	-	-	3,303,217	-	-	-
				Assets Under Construction	-	-	(3,303,217)	-	-	-
2	During the testing of AUC, there were two projects identified that were sitting in AUC that had indicators of impairment. These were included on the prior year SUD and as such should have been impaired in the prior years.	Correction to record impairment for assets	Judgemental	Assets Under Construction	-	-	(2,783,755)	-	-	-
				Accumulated Surplus	-	-	2,783,755	-	-	-
3	The amortized cost method was not being applied correctly for the Municipality's investments, and a prior period adjustment was made in the current year. The estimated difference in accounting, and timing of the adjustment resulted in a judgemental overstatement of investments and investment revenue, and understatement of accumulated surplus.	Correction of amortized cost method and adjustment misstatement	Judgemental	Investments	(1,250,505)	-	-	-	-	-
				Accumulated Surplus	-	-	(1,981,741)	-	-	-
				Investment Income	-	-	-	-	3,232,246	-
Subsidiaries										
RRC, WB&DC, Library, AWG and WBEDC										
<i>No unadjusted amounts identified.</i>										
Impact of Prior Year					-	-	-	2,000,000	-	(2,000,000)
Total Factual Misstatements					-	-	-	-	-	-
Total Projected Misstatements					-	-	-	-	-	-
Total Judgmental Misstatements					(1,250,505)	-	(2,783,755)	802,014	3,232,246	-
Total					\$ (1,250,505)	\$ -	\$ (2,783,755)	\$ 2,802,014	\$ 3,232,246	\$ (2,000,000)

Appendix 3 – Additional required communication

- Draft audit report
- Draft management representation letter

Independent Auditor's Report

To the Mayor and members of Council of the
Regional Municipality of Wood Buffalo

Opinion

We have audited the consolidated financial statements of the **Regional Municipality of Wood Buffalo** (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2021, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 GAAS 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 these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Regional Municipality of Wood Buffalo

April 12, 2022

Private and confidential

Deloitte LLP
1500 Manulife Place
10180-101 Street
Edmonton AB T5J 4K1

Subject: Consolidated Financial statements of the Regional Municipality of Wood Buffalo for the year ended December 31, 2021

Attention: David Hodges, Partner

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the consolidated financial statements of the Regional Municipality of Wood Buffalo (the "Municipality" or "we" or "us") for the year ended December 31, 2021, and a summary of significant accounting policies and other explanatory information (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Municipality in accordance with Public Sector Accounting Standards ("PSAS").

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the master service agreement between the Municipality and Deloitte dated October 15, 2016 and subsequent confirmation letters, for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Municipality as at December 31, 2021 and the results of its operations and cash flows for the year then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The Municipality has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2021 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

3. The Municipality has identified all related parties in accordance with Section PS 2200, *Related Party Disclosures* ("PS 2200"). Management has made the appropriate disclosures with respect to its related party transactions in accordance with PS 2200.
4. We have determined that the Financial Statements are complete as of the date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. The Financial Statements have been approved in accordance with our process to finalize financial statements.

Except where otherwise stated below, immaterial matters less than \$5,120,000 collectively are not considered to be exceptions that require disclosures for the purpose of following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial information.

5. We have completed our review of events after December 31, 2021 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
6. The Financial Statements are free of material errors and omissions.

We believe that the effects of the current period presented, are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole. A list of the uncorrected misstatements aggregated by you is attached in Appendix A.

As a result of our evaluation process, we identified certain disclosures that, although required by PSAS, have been omitted from our Financial Statements. Those omitted disclosures that are more than inconsequential are as follows:

- In accordance with PS 1200, *Financial Statement Presentation*, financial statements should present a prior period continuity schedule related to tangible capital assets in the note disclosures in the Financial Statements for the current year.
- Amounts included in accounts payable and accrued liabilities that related to the acquisition of tangible capital assets have not been quantified. As a result, the Municipality has misstated cash from operating activities and cash applied to the capital activities in the consolidated statement of cash flows.
- The purchase and sale of investments have not been presented on a gross basis on the consolidated statement of cash flows.

We believe the effects of the omitted disclosures are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the Financial Statements as a whole.

Internal Controls

7. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
8. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

Information provided

9. We have provided you with:
 - a) Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters.

- b) All relevant information as well as additional information that you have requested from us for the purpose of the audit; and,
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 10. Except as listed in Appendix A, all transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
 - 11. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.
 - 12. We have no knowledge of any information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - a) Management;
 - b) Employees who have significant roles in internal control; or
 - c) Others where the fraud could have a material effect on the Financial Statements.
 - 13. We have no knowledge of any information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Municipality.
 - 14. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies financial reporting practices and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.
 - 15. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration.
 - 16. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.

Other matters

- 17. The Municipality has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.
- 18. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.
- 19. We have disclosed to you that there are no trusts that should be included in the consolidation of the Financial Statements.
- 20. We have disclosed to you, and the Municipality has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
- 21. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

22. Management has completed its assessment of the ability of the Municipality to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon the Municipality's ability to continue as a going concern, which would require disclosure in the Financial Statements. In assessing whether the going concern assumption is appropriate, management took into account all available information about the future, which is at least, but is not limited to, 12 months from the statement of financial position date, their plans for future action and the feasibility of these plans.
23. All internally restricted funds as well as restricted cash have been specifically identified and separated so as to only use the related funding and cash amounts for their intended purpose.
24. We have disclosed to you all communications from:
- a. taxation authorities concerning assessments or reassessments that could have a material effect on the Financial Statements; and
 - b. regulatory agencies concerning non-compliance with or potential deficiencies in, financial reporting requirements. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
25. We have communicated to you all deficiencies in internal control of which we are aware. We have disclosed to you any change in the Municipality's internal control over financial reporting that occurred during the current year that has materially affected, or is reasonably likely to materially affect, the Municipality's internal control over financial reporting.

Management's responsibilities

26. All transactions and events have been carried out in accordance with law, regulation or other authority.

Loans and receivables

27. The Municipality is responsible for determining the appropriate carrying amount of loans and accounts receivable, as well as estimates used to determine such amounts. Management believes that the carrying amounts recorded and disclosed are appropriate and include an appropriate provision for loans and receivables that are deemed to be uncollectable.
28. We believe that the recorded balances in accounts receivable related to the flood or wildfire events are collectible.

Inventories

29. The Municipality is responsible for determining the appropriate carrying amount of inventories. All inventories are the property of the Municipality and do not include any items consigned to it, any items billed to customers, or any items for which the liability has not been recorded.

Environmental liabilities/contingencies

30. We have considered the effect of environmental matters on the Municipality and have disclosed to you all liabilities, provisions or contingencies arising from environmental matters. All liabilities, provisions, contingencies and commitments arising from environmental matters, and the effect of environmental matters on the carrying values of the relevant assets are recognized, measured and disclosed, as appropriate, in the Financial Statements.

31. We have evaluated and assessed all of our tangible capital assets and identified the sites listed in the Notes to the Financial Statements, as contaminated sites. We have recorded a liability because the contamination of the site exceeds relevant environmental standards, the Municipality is responsible for the remediation and we believe it is expected that remediation will be required. We believe that the estimate of the liability is reasonable and is our best estimate of the amount required to remediate the sites.
32. We have disclosed to you any instances in which a reasonable estimate of the liability cannot be made and have appropriately disclosed the nature and potential effect on the Municipality's Financial Statements when the liability becomes measurable.
33. We have not identified any specific environmental or contingent liabilities as a result of the 2016 wildfire, the 2020 flood or any other environmental event including, but not limited to areas of environmental contamination for which the Municipality is responsible for remediation.

Solid waste landfill closure and post-closure liability

34. We have disclosed to you all operating and closed solid waste landfill sites that we own. We have recorded a liability which represents our best estimate of the future costs required for closure and post-closure care related to these sites.

Employee future benefits

35. Employee future benefit costs, assets and obligations, as applicable, have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit plans as well as termination arrangements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, obligations and costs for financial statement purposes are appropriate in the circumstances.
36. We have disclosed to you any intentions of terminating any of our pension plans or withdrawing from the multi-employer plan that could result in an effective termination or reportable event for any of the plans. We have disclosed to you any occurrences that could result in the termination of any of our pension plans to which we contribute.
37. We have appropriately assessed, recorded and adequately disclosed in the Financial Statements all employee future benefits related to the "Home equity protection program". We have disclosed to you the list of approved participating employees and the related aggregate secured property values.

Revenues

38. We have fully disclosed to you all sales terms, including all rights of return or price adjustments.
39. All documentation related to sales transactions is contained in files which are used for accounting purposes. We also confirm that:
 - a. We are not aware of any "side agreements" with any companies that are inconsistent with the applicable sales agreement, the customer's purchase order, sales invoice, or any other documentation contained in the files which are used for accounting purposes. For the purposes of this letter, a "side agreement" is any agreement, understanding, promise, or commitment whether written (e.g., in the form of a letter or formal agreement or in the form of any exchange of physical or electronic communications) or oral by or on behalf of the Municipality (or any subsidiary, director, employee, or agent of the Municipality) with a customer from whom revenue has been recognized that is not contained in the written purchase order from the customer or sales order confirmation and sales invoice of the Municipality delivered to or generated by the Municipality's Finance Department.

The definition of a side agreement is not limited by any particular subject matter. For purposes of example only, any agreement not contained in the written purchase order from the customer or

sales order and sales invoice of the Municipality that relates to return rights, acceptance rights, future pricing, payment terms, free consulting, free maintenance, or exchange rights would be a side agreement.

- b. We are not aware of any commitments or concessions to a customer regarding pricing or payment terms outside of the terms documented in the files which are used for accounting purposes.
- c. All endowment contributions have been treated as direct increases in net assets; and
- d. Contributions that are restricted have been deferred and will be recognized in revenue in the period the stipulations of the agreement are met.

Tax revenues

- 40. We have appropriately recorded tax assets and revenues when they meet the definition of an asset in accordance with Section PS 1000, *Financial Statement Concepts*, when they are authorized and when the taxable event occurs. These amounts have been appropriately measured in accordance with PS 3510, *Tax Revenue*, and have not been grossed up for any amount of tax concessions.

Government transfers

- 41. We have disclosed to you all correspondence relating to government transfers that the Municipality has had with the funding body.
- 42. We have assessed the eligibility criteria and determined that the Municipality is an eligible recipient for the government transfers received.
- 43. We have assessed the stipulations attached with the funding and have recognized the revenue in accordance with meeting the stipulations required.
- 44. All government transfers that have been recorded as deferred revenue give rise to an obligation that meets the definition of a liability. Those liabilities have been properly recorded and presented in the Financial Statements.
- 45. All authorized transfers that have been expensed have been transferred to recipients whom have met the eligibility criteria.

Work of management's experts

- 46. We agree with the work of management's experts in evaluating the valuation of employee future benefits, donated tangible capital assets, liability for contaminated sites, the quantification of potential legal claims and the determining of assets available for use. We have adequately considered the qualifications of the specialist in determining amounts and disclosures used in the Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to management's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the specialists.

Plans or intentions affecting carrying value/classification of assets and liabilities

- 47. We have disclosed to you all plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the Financial Statements.

Accounting policies

- 48. The accounting policies selected and application of those policies are appropriate.
- 49. The Municipality's accounting policies and their method of application have been applied on a basis consistent with that of the audited Financial Statements as of and for the year ended December 31, 2020.

Adjusting journal entries

- 50. We have reviewed and approved the year-end adjusting entries, including all related supporting schedules, and the Financial Statements and acknowledge our responsibility for their accuracy. While

discharging our responsibility we may have requested your assistance or input in certain areas such as:

- a. Recording of transactions for which we have determined or approved the appropriate account classification;
- b. Posting transactions to the general ledger;
- c. Preparing financial statements; and
- d. Posting journal entries to the trial balance.

We acknowledge our responsibility for the above listed items and confirm that we have authorized, reviewed and approved all of the above items.

Investments

51. All investments have been appropriately classified as temporary investments or portfolio investments.
52. With regard to the Municipality's investments, we have disclosed to you any events that have occurred and facts that have been discovered with respect to such investment that would indicate impairment of the investment's value.
53. The Municipality does not hold any investments in Master Asset Vehicle notes (which replaced third party non-bank asset-backed commercial paper).

Expenditures deferred to future periods

54. We believe that our expenditures that have been deferred to future periods are recoverable.

Tangible capital assets

55. Tangible capital assets have been recorded properly and consistently according to the standards in Section PS 3150, *Tangible Capital Assets*.
56. Contributed tangible capital assets have been appropriately recorded at fair value, unless fair value is not reasonably determinable, and in such case, have been recorded at an appropriate nominal value. All contributed tangible capital assets have been appropriately disclosed.
57. We have assessed the useful lives of tangible capital assets and have determined all tangible capital assets contribute to the Municipality's ability to provide goods and services, and therefore, do not require a write down.

Long-lived assets

58. With respect to the Municipality's long-lived assets, we have recognized and recorded the fair value of all legal obligations associated with the retirement of those related assets.

Reserves

59. All contributions to, and withdrawals from, reserves have been approved by Council. The reserves recorded in the financial statements are accurate and complete.
60. We have disclosed to you and have appropriately reflected in the Financial Statements all external restrictions on resources.

Segment disclosures

61. Management believes that we have appropriately identified and disclosed all operating segments in accordance with requirements of CPA Canada Public Sector Accounting Handbook Section PS 2700, *Segment Disclosures*.

Various matters

62. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:

- a. losses arising from sale and purchase commitments;
- b. economic dependence on another party;
- c. agreements to buy back assets previously sold;
- d. provisions for future removal and site restoration costs;
- e. financial instruments with significant individual or group concentration of credit risk and related maximum credit risk exposure;
- f. sales with recourse provisions;
- g. sales incentives, including cash consideration provided to customers and vendor rebates;
- h. arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements;
- i. all impaired loans receivable; and
- j. loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

Independence matters

For purposes of the following paragraph, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

63. Prior to the Municipality having any substantive employment conversations with a former or current Deloitte engagement team member, the Municipality has held discussions with Deloitte and obtained approval from Council.

64. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by Council in accordance with its established approval policies and procedures.

Yours truly,

Regional Municipality of Wood Buffalo

Signatory

Signatory

Appendix A

Regional Municipality of Wood Buffalo

Summary of uncorrected financial statement misstatements

Year ended December 31, 2021

No.	Description	Error Identified	Error Type	Financial Statement Line Impact	Financial Assets	Liabilities	Non-financial Assets	Accumulated Surplus	Revenue	Expenses
					Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
1	Projects that are substantially complete have not been transferred from Assets under construction ("AUC") to Tangible Capital Assets ("TCA").	Reclassification of Non- Financial Assets from AUC to TCA	Judgemental	Tangible Capital Assets	-	-	3,303,217	-	-	-
				Assets Under Construction	-	-	(3,303,217)	-	-	-
2	During the testing of AUC, there were two projects identified that were sitting in AUC that had indicators of impairment. These were included on the prior year SUD and as such should have been impaired in the prior years.	Correction to record impairment for assets	Judgemental	Assets Under Construction	-	-	(2,783,755)	-	-	-
				Accumulated Surplus	-	-	2,783,755	-	-	-
3	The amortized cost method was not being applied correctly for the Municipality's investments, and a prior period adjustment was made in the current year. The estimated difference in accounting, and timing of the adjustment resulted in a judgemental overstatement of investments and investment revenue, and understatement of accumulated surplus.	Correction of amortized cost method and adjustment misstatement	Judgemental	Investments	(1,250,505)	-	-	-	-	-
				Accumulated Surplus	-	-	(1,981,741)	-	-	-
				Investment Income	-	-	-	-	3,232,246	-
Subsidiaries										
RRC, WB&DC, Library, AWG and WBEDC										
<i>No unadjusted amounts identified.</i>										
				Impact of Prior Year	-	-	-	2,000,000	-	(2,000,000)
				Total Factual Misstatements	-	-	-	-	-	-
				Total Projected Misstatements	(1,250,505)	-	(2,783,755)	802,014	3,232,246	-
				Total Judgmental Misstatements	-	-	-	-	-	-
				Total	\$ (1,250,505)	\$ -	\$ (2,783,755)	\$ 2,802,014	\$ 3,232,246	\$ (2,000,000)