



METRIX GROUP LLP

CHARTERED PROFESSIONAL
ACCOUNTANTS

Edmonton Heritage Council Society Audit Findings Report

For the year-ended December 31, 2022

April 5, 2023



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Table of Contents

Executive Summary	2
Responsibilities	3
Materiality	5
Audit Results	6
Significant Findings	10
Other Matters	11
Adjustments	13
Appendix 1: Required Communications	14
Appendix 2: Management Representation Letter	15

Executive Summary

Purpose of this report

We are pleased to provide you with our audit findings report for the Edmonton Heritage Council Society (the “Society”) for the year ended December 31, 2022.

The purpose of this report is to:

1. Communicate clearly with the Accountability & Audit Committee (the “Committee”) what our responsibilities are in relation to the financial statement audit.
2. Provide an overview of the planned scope and timing of the audit.
3. Obtain from the Committee information relevant to the audit.
4. Promote effective two-way communication between the Committee and the auditor.

Independence

At the core of the provision of external audit services is the concept of independence. Canadian generally accepted auditing standards require us to communicate to the Committee, at least annually, all relationships between our Firm and the Society that, in our professional judgement, may reasonably be thought to bear on our independence. Please refer to **Appendix 1** for our confirmation of independence.

Finalizing the audit

As of April 5, 2023, we have substantially completed the audit of the Society’s financial statements with the exception of:

- Completing our subsequent events procedures
- Obtaining the signed management representation letter
- Completing our required communication to the Committee
- Obtaining evidence of the Committee’s approval of the financial statements

We will update the Committee on significant matters, if any, arising from the completion of the audit, including the completion of the procedures above.

Changes from the audit plan

There have been no significant changes regarding our Audit Planning Report that was previously presented to you.

Responsibilities

It is important for the Committee to understand the responsibilities that rest with the Society and its management and those that belong to the auditor in relation to the financial statement audit.

Our responsibilities

Our audit of the Society's financial statements will be performed in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements present fairly, in all material respects, the financial position, results of operations, changes in fund balances and cash flows of the Society in accordance with Canadian accounting standards for not-for-profit organizations.

Accordingly, we planned and performed our audit to provide reasonable, but not absolute, assurance of detecting fraud and errors that have a material effect on the financial statements taken as a whole, including illegal acts whose consequences have a material effect on the financial statements.

The audit included consideration of internal control relevant to the preparation of the financial statements 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 internal control.

Canadian generally accepted auditing standards does not require the auditor to design procedures for the purpose of identifying supplementary matters to communicate to the Society. Accordingly, our audit would not necessarily identify all such matters that may be of interest to the Committee and management, and it is inappropriate to conclude that no such matters exist.

Responsibilities of management and those charged with governance

Management is responsible for the preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Management's representations are integral to the audit evidence we will gather. Prior to the release of our report, we will require management's representations in writing to support the content of our auditors' report.

Those charged with governance, the Committee, is responsible for overseeing the Society's financial reporting process.

Clear, two-way communication between the auditor and those charged with governance is an integral part of every audit. After reviewing this report, please advise us whether there are additional areas of concerns to the Committee that should be brought to our attention.

Materiality

Materiality in an audit is used as a guide for planning the nature and extend of audit procedures and for assessing the sufficiency of audit evidence gathered. It is also used in evaluating the misstatements found and determining the appropriate audit opinion to express.

Misstatements, individually or the aggregate, are considered to be material if, in the light of surrounding circumstances, it is probable that the decision of a person who is relying on the financial statements, and who has reasonable knowledge of business and economic activities, would be changed or influenced by such misstatements or the aggregate of all misstatements. The materiality decision is based on our professional judgement taking into consideration quantitative and qualitative factors.

The auditors' determination of materiality is a matter of professional judgement and is affected by the auditors' perception of the financial information needs of users of the financial statements. In planning our audit, we have concluded that a materiality level of 3% of operating expenses (\$49,400) is appropriate. However, we anticipate that management will record any adjustments that we propose that are of a non-trivial nature.

Audit Results

Area of focus	Audit risk, our response and findings
Management override of controls	<p><i>Risk</i></p> <ul style="list-style-type: none"> Management is in a unique position to perpetrate financial statement fraud through the manipulation of accounting records. Under Canadian assurance standards, there is a presumed fraud risk related to management's ability to override internal controls. This risk is not rebuttable. <p><i>Our response</i></p> <ul style="list-style-type: none"> Using data analytics, we have identified journal entries that exhibit characteristics which may be indicative of possible control override. We have assessed the business rationale of the transactions taking into consideration estimates applied, application of accounting policies, evidence of potential management bias. <p>No significant findings have been identified.</p>
Cash	<p><i>Risk</i></p> <ul style="list-style-type: none"> Due to the nature of cash, it is subject to a higher level of procedures due to the risk of fraud. Cash represents a significant balance of the Society's assets. <p><i>Our response</i></p> <ul style="list-style-type: none"> We have confirmed directly with the Society's financial institution its bank balances as part of our procedures performed over bank reconciliations. We have tested significant reconciling items recorded in the bank reconciliation. <p>No significant findings have been identified.</p>

Area of focus	Audit risk, our response and findings
Tangible Capital Assets (“TCA”)	<p><i>Risk</i></p> <ul style="list-style-type: none"> ○ TCA has been expenses rather than capitalized or have been recorded incorrectly; ○ Expenditures that are not capital in nature have been capitalized; ○ TCA has been purchased or gifted to the Society and has not been appropriately accounted for. ○ TCA valuation is complex due to risks of impairment and the use of management estimates; and ○ TCA represent a significant balance of the Society's assets. <p><i>Our response</i></p> <ul style="list-style-type: none"> ○ We have inquired with management regarding the existence of any impairment indicators identified in the year; ○ We have reviewed and inspected repairs and maintenance expenses for the purposes of identifying any assets capital in nature; ○ We have calculated amortization expense; and ○ We have agreed significant additions to source documentation in the year. <p>No Significant findings have been identified.</p>

Area of focus	Audit risk, our response and findings
Accounts payable and accrued liabilities	<p><i>Risk</i></p> <ul style="list-style-type: none"> ○ Expenses related to the year-ended December 31, 2022 have not been accrued for; and ○ Vacation payable is understated / overstated. <p><i>Our response</i></p> <ul style="list-style-type: none"> ○ We have performed a search for unrecorded liabilities inspecting payments processed subsequent to December 31, 2022; and ○ We have obtained the vacation payable and have verified the mathematical accuracy of the amounts accrued and have re-calculated the vacation accrual. <p>No significant findings have been identified.</p>
Revenues	<p><i>Risk</i></p> <ul style="list-style-type: none"> ○ Revenue is primarily composed of grants from the City of Edmonton which may contain restrictions; ○ General fund revenue is recognized before services or restrictions have been performed. <p><i>Our response</i></p> <ul style="list-style-type: none"> ○ We have updated our understanding over the processes and controls for revenue; ○ We have agreed significant revenue transactions to cash receipts; and ○ We have reconciled revenues to funding agreements. <p>No significant findings have been identified.</p>

Area of focus	Audit risk, our response and findings
Expenses (including salaries, wages, and benefits)	<p><i>Risk</i></p> <ul style="list-style-type: none"> ○ Expenses have not been recorded in the correct fiscal year. ○ Inherent fraud risk relating to expenses, including salaries, wages, and benefits. <p><i>Our response</i></p> <ul style="list-style-type: none"> ○ We have updated our understanding over the processes and controls for expenses; ○ We have agreed significant expenses, along with a sample of non-significant expenses to supporting documentation; ○ We have performed a search for unrecorded liabilities; ○ We have performed substantive analytical procedures to assess the reasonableness of expenses, including salaries, wages, and benefits. <p>No significant findings have been identified.</p>

Significant Findings

Our objective is to communicate appropriately to the Committee any deficiencies in internal control that we have identified during the audit and that, in our professional judgement, are of sufficient importance to merit being reported to those charged with governance.

The audit findings contained in this report did not have a material effect on the Society's financial statements, and as such, our audit report is without reservation with respect to these matters.

Our audit procedures were performed to form an opinion on the financial statements and, although they might bring possible fraudulent or illegal activities to our attention, our audit procedures were not designed to detect fraudulent or illegal activities.

Internal Controls

Our audit procedures did not reveal any significant deficiencies in internal controls.

Accounting Practices (including accounting policies, judgments, and estimates)

Management is responsible for determining the significant accounting policies. The choice of different accounting policy alternatives can have a significant effect on the financial position and results of the Society. The application of those policies often involved significant estimates and judgements by management.

We are of the opinion that the significant accounting policies, estimates and judgements, and financial disclosures made by management do not materially misstate the financial statements taken as a whole. Please refer to Note 1 of the financial statements for significant accounting policies and estimates disclosed.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties during our audit that should be brought to the attention of the Society.

Management Representation

Management's representations are integral to the audit evidence we will gather. Prior to the release of our report, we will require management's representations in writing to support the content of our report. Please refer to **Appendix 2** for the management representation letter.

Other Matters

Affirmation of Policies

2022 Observation:

Upon inquiry with management, we noted that there is no regular communication of policies (i.e. code of conduct) outside of annual evaluations and the hiring phase where employees are required to sign off on review and compliance of the staff manual.

We recommend that an annual affirmation of policies be required to promote ethical behaviours in the Society.

Bank reconciliation

2021 Observation:

We noted that bank reconciliations were not being completed in a timely manner nor did they have evidence of review.

2022 Update:

Per review of financial procedures, we noted that bank reconciliations are to be performed within 15 days of each month end and are to be reviewed and approved by the Executive Director (“ED”) by the 15th of the month. This was implemented in April 2022. We were able to confirm that this procedure was done through reconciliation dates of accounts on QuickBooks Online (“QBO”) as majority were completed within 15 days, with the exception of the following months: January to March and July. Metrix noted that this could be attributed to the transition occurring within the finance department at the beginning of the year. Additionally, Metrix was able to view emails from the ED indicating review and approval of the reconciliations for all months in the fiscal year.

Vacation payable

2021 Observation:

We noted that employee timesheet trackers for salaried employees were not being reconciled on a timely manner for vacation hours used.

2022 Update:

We noted that the timesheet trackers are now reconciled every pay period by both the Admin Manager (“AM”) and the Financial Coordinator (“FC”).

Expense invoices

2021 Observation:

We noted that some invoices were being approved by department heads / managers rather than the Executive Director (“ED”).

2022 Update:

We noted that the Society has implemented Policy FIN-02 – Delegation of Authority allowing department heads to approve invoices as long as they remain within their budgets. The ED will still be responsible for approving cheque prior to release so there remains an oversight over expenditures.

Journal Entries

2022 Observation:

While completing our audit work over manual journal entries we noted that the Society does not have a formal process to review journal entries before they are posted into the general ledger.

We recommend that the Society adopt a policy to have manual journal entries reviewed and approved before being posted into the general ledger to mitigate the possibility of fraud or error.

Adjustments

Adjusted Differences

Increase (decrease) from opening balances			
Differences noted	Assets	Liabilities	Excess of revenue over expenses
6 audit adjustments were required to comply with reporting requirements under Canadian Accounting Standards for Not-for-Profit Organizations (2021 – 19 adjustments).	\$ (18,409)	\$ (6,113)	\$ (12,296)
Total Adjusted Differences (Income Effect)			\$ (12,296)

Uncorrected Misstatements

The total unrecorded misstatements noted during the audit amounted to \$1,976 overstatement of the Society's excess of revenue over expenses for the year ended December 31, 2022.

Amount of over (under) misstatement				
Description	Assets	Liabilities	Excess of revenue over expenses	Fund Balances
To record CY effect of PY prepaid SUD.	\$ -	\$ -	\$ 1,976	\$ -

After considering both quantitative and qualitative factors with respect to the uncorrected misstatements accumulated during the audit, we agree with management that the financial statements are not materially misstated.

Appendix 1: Required Communications

We have been engaged to audit the financial statement of the Society for the year ending December 31, 2022.

We believe that it is important that we communicate at least annually with you regarding all relationships between the Society and our firm that, in our professional judgement, may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the Chartered Professional Accountants of Alberta and applicable legislation, covering such matters as:

- (a) Holding a financial interest, either directly or indirectly, in a client;
- (b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client.
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- (d) Economic dependence on a client; and
- (e) Provision of services in addition to the audit engagement.

We are not aware of any relationships between the Society and ourselves that, in our professional judgement, may reasonably be thought to bear on our independence that have occurred from January 1, 2021 to April 5, 2023.

Appendix 2: Management Representation Letter

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EDMONTON HERITAGE COUNCIL SOCIETY

218A-10440 108 Ave NW
Edmonton, AB
T5H 3Z9

April 5, 2023

Metrix Group LLP
12840 St. Albert Trail
Edmonton Alberta T5L 4H6

Attention: Jeff Alliston, CPA, CA

Dear Sir:

Re: Management representations letter

This representation letter is provided in connection with your audit of the financial statements of Edmonton Heritage Council Society for the year ended December 31, 2022, for the purpose of you expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

In making the representations outlined below, we took the time necessary to appropriately inform ourselves on the subject matter through inquiries of entity personnel with relevant knowledge and experience, and, where appropriate, by inspecting supporting documentation.

We confirm that (to the best of our knowledge and belief):

1. Financial Statements

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated December 6, 2022 for:

- (a) Preparing and fairly presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations;
- (b) Providing you with:
 - i) Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as:
 - Accounting records, supporting data and other relevant documentation,
 - Minutes meetings (such as Board of Directors and Audit Committees) or summaries of actions taken for which minutes have not yet been prepared, and
 - Information on any other matters, of which we are aware, that is relevant to the preparation of the financial statements;
 - ii) Additional information that you have requested from us for the purpose of the audit; and
 - iii) Unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.
- (c) Ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements; and
- (d) Designing and implementing such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We have also communicated to you any deficiencies in the design and implementation or the maintenance of internal control over financial reporting of which management is aware.

2. Fraud and Non Compliance

We have disclosed to you:

- a. All of our knowledge in relation to actual, alleged or suspected fraud affecting the entity's financial statements involving:
 - i. Management;
 - ii. Employees who have significant roles in internal control; or
 - iii. Others where the fraud could have a material effect on the financial statements;
- b. All of our knowledge in relation to allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others;
- c. All known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements that should be considered when preparing the financial statements;
- d. All known, actual, or possible litigation and claims that should be considered when preparing the financial statements; and
- e. The results of our risk assessments regarding possible fraud or error in the financial statements.

3. Related Parties

We confirm that there were no related-party relationships or transactions that occurred during the period.

4. Estimates

We acknowledge our responsibility for determining the accounting estimates required for the preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Those estimates reflect our judgment based on our knowledge and experience of past and current events, and on our assumptions about conditions we expect to exist and courses of action we expect to take. We confirm the methods, the data, and the significant assumptions used in making accounting estimates (including the useful lives of tangible capital assets and the corresponding rates of amortization, and the amount of accrued liabilities) and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of Canadian accounting standards for not-for-profit organizations.

5. Subsequent Events

All events subsequent to the date of the financial statements and for which Canadian accounting standards for not-for-profit organizations requires adjustment or disclosure have been adjusted or disclosed.

6. Commitments and Contingencies

There are no commitments, contingent liabilities/assets or guarantees (written or oral) that should be disclosed in the financial statements. This includes liabilities arising from contract terms, illegal acts or possible illegal acts, and environmental matters that would have an impact on the financial statements.

7. Adjustments

We have reviewed, approved and recorded all of your proposed adjustments to our accounting records. This includes journal entries, changes to account coding, classification of certain transactions and preparation of, or changes to, certain accounting records.

8. Misstatements

The effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements, including the reasons why they were not corrected, is attached to this letter.

9. Accounting policies

All significant accounting policies are disclosed in the financial statements and are consistent with those used in the previous period.

10. Contractual compliance

We have complied with the terms and conditions of all contractual agreements that could have a material effect, in the event of non-compliance, on the financial statements.

11. Direct liabilities

We have recorded in the accounts all known liabilities of our Society as at December 31, 2022 except for trivial amounts.

12. Future plans

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

13. Liabilities and contingencies

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

14. None of the members were in debt to the Society

None of the members were in debt to the Society, other than in the ordinary course of business at the period-end or at any time during the period.

15. General

1. We have responded fully to all inquiries made to us and have made available to you all accounting and financial records and related data of the Commission during your audit.
2. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
3. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
4. We have disclosed to you, and the Commission has complied with, all aspects of contractual agreements that would 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.
5. The minute book of the Commission are a complete record of all meetings and resolutions of directors throughout the period and to the present date.

Acknowledged and agreed on behalf of Edmonton Heritage Council Society by:



Mr. David Ridley, Executive Director

April 5, 2023

Date signed