

January 25, 2024

Reeve and Councilors
Rural Municipality of Thompson
Box 190
Miami, Manitoba R0G 1H0

Pursuant to our appointment and the instruction of the Department of Municipal Affairs and as required by Sub Section 190 of the Municipal Act, we are pleased to submit a supplementary report on our evaluation of the accounting procedures and systems of control employed by the Rural Municipality of Thompson for the year ended December 31, 2022. Our evaluation was made in accordance with Canadian generally accepted auditing standards and included such tests and other procedures, as we considered necessary in the circumstances.

Management is responsible for establishing and maintaining a system of internal administrative and accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of consolidated financial statements in accordance with accounting policies of the Rural Municipality of Thompson.

Because of inherent limitation in any system of internal accounting and administrative control, errors or irregularities may occur and not be detected. Also projection of any evaluation of the system to future period is subject to the risk that procedure may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

We report that in our opinion :

- (a) The accounting procedures and systems of control employed by the Rural Municipality of Thompson are adequate to preserve and protect its assets in so far as practical;
- (b) To the best of our knowledge and belief, the funds of the Rural Municipality of Thompson have been paid or disbursed only under the authority granted by an Act of the Legislature, or under authority of a resolution or by-law of the corporation made under authority of the Act of the Legislature;
- (c) No irregularity or discrepancy in the administration of the affairs of the Rural Municipality of Thompson came to our notice in the course of our examination; and
- (d) The following are matters we feel should be brought to the attention of the council of the Rural Municipality of Thompson and the minister:

During the course of the audit, issues came to our attention that we would like to disclose to council.

It was identified council is not signing off on accrued holidays, banked time and vested sick leave listings at year end. Without the review and approval of these listings it is difficult to determine if the individual employee balances for accrued holidays, banked time and vested sick leave exist and are accurate. We recommend council request the accrued holidays, banked time and vested sick leave listings monthly and review and approve them at regular council meetings. At a minimum, we recommend council request these listings once a year to approve the December 31st accrued holidays, banked time and vested sick leave listings to assist with the annual audit.

Indemnity claim forms are not consistently being signed by the claimant and a second council member authorizing the payment. Without such evidence, we are unable to determine whether the claims forms were reviewed and approved. We recommend the claimant and a council member who has signing authority sign the claim form as evidence of their review and approval.

Council is not consistently signing or initialing invoices approved for payment. Without such evidence, we are unable to determine whether the invoices were reviewed and approved. We recommend council members who have signing authority sign or initial the invoice when they are endorsing the cheque as evidence of their review and approval.

It was identified cheque's are not being written in order and that 2023 cheques were back dated to 2022. This resulted in continuous adjustments to cash impacting the original bank reconciliation completed. Once the year end bank reconciliation is completed remaining payments, for that year, should be set up as accounts payable as a result of the timing of the payments subsequent to year end. Furthermore, we recommend always writing cheques in sequential order to make it easier to track payments and to help ensure cheques of the municipality have not gone missing.

It was identified the municipality receives donations on behalf of other entities and subsequently pay's these donations out accordingly. Such donations received/paid are recorded in various payable accounts and are not recorded as revenue and expenses resulting in revenue and expenses being understated. The current practice is not in line with accounting standards. We recommend donations received on behalf of other entities be recorded as revenue and then a subsequent adjustment be performed to record the payable and expense.

Furthermore, the municipality has received donations on behalf of a non-charitable organization. As per Canada Revenue Agency, a registered charity is responsible for all receipts issued under its name and registration number. Under no circumstances should a registered charity issue donation receipts on behalf of another organization or lend its registration number to another organization for receipting purposes. We recommend the municipality does not lend it's charity registration number to other organizations in order to comply with CRA or the municipality may have its receipting privileges suspended and/or lose its registered status if CRA deemed the municipality to not be in compliance with its rules and regulations.

It was identified the municipality has not had a formal landfill closure and post closure cost assessment performed. By not having this assessment done it is difficult to ascertain if the proper liability estimating the closure and post closure costs has been accrued. We strongly recommend the municipality performs an updated formal landfill closure and post closure assessment. The formal assessment should be performed by a knowledgeable individual or firm to determine the estimated closure and post closure costs in order to allow for the recording of a liability that is as accurate as possible. Upon completion of this assessment please provide us a copy of the documentation received. If you have any questions about the requirements of the assessment feel free to contact us.

The accounts of the Rural Municipality of Thompson were found to have been well maintained and we take pleasure in acknowledging the cooperation that the CAO extended to us during the course of the audit.

Yours truly,
SENSUS Chartered
Professional Accountants Ltd.


Brett Fordyce, CPA, CGA

BF/nk
Enclosure

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