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Enclosure 3

Strathcona County

Audit Results

December 31, 2022

June 16, 2023

Mayor and Council

Strathcona County

Dear Members of Council (“those charged with governance”),

We are pleased to provide the results of our audit of the consolidated financial statements of Strathcona County (“the County”) for the year ended December 31, 2022. This letter also includes the status of our audit, which we anticipate will be completed on or about July 4, 2023.

Our audit was designed to express an opinion on the December 31, 2022 consolidated financial statements. We continue to receive the full support and assistance of the County’s personnel in conducting our audit. Open and candid dialogue with you is a critical step in the audit process, and in the overall corporate governance process and we appreciate this opportunity to share the insights from our audit with you.

At Ernst & Young, we continually evaluate the quality of our professionals’ work in order to deliver remarkable client service. We strive to provide you with audit services of the highest quality that will meet or exceed your expectations, and we encourage you to participate in our Assessment of Service Quality (ASQ) process to provide your input on our performance. The ASQ process is a critical tool that enables us to monitor and improve the quality of our audit services to the County.

This report is intended solely for the information and use of management and those charged with governance. It is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to meeting with you to discuss the contents of this letter and answer any questions you may have about these or any other audit-related matters.

Very truly yours,



Chartered Professional Accountants

Robert M Jolley, CPA, CA*

**Services provided through Robert Jolley Professional Corporation*

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2022 Ernst & Young Services

	Services & Deliverables	Status Update
Audit and audit-related services	<ul style="list-style-type: none"> ▶ Express opinions on: <ul style="list-style-type: none"> • The consolidated financial statements of Strathcona County ('the County') for the year ended December 31, 2022, prepared in accordance with the Canadian public sector accounting standards ("PSAS"). • The Financial Information Return ("FIR") for the County for the year ended December 31, 2022, prepared for Alberta Municipal Affairs in accordance with Section 277 of the Municipal Government Act. 	<ul style="list-style-type: none"> ▶ Audit procedures to be completed on the consolidated financial statements: <ul style="list-style-type: none"> • Obtain a letter of representations from management • Perform final procedures relating to our review of the file, the financial statements and footnotes • Complete subsequent events review procedures • Perform standard fraud and subsequent events inquiries with Mayor and Council ▶ We have received the FIR for the year ended December 31, 2022 and are completing our review.

	Services & Deliverables	Status Update
Audit and audit-related services	<ul style="list-style-type: none"> ▶ Express opinions on: <ul style="list-style-type: none"> • The separate financial statements of Pioneer Housing Foundation and the Strathcona County Library Board for the year ended December 31, 2022 in accordance with PSAS. • The Family and Community Support Services ("FCSS") Program Schedule of Revenues and Expenditures for the year ended December 31, 2022, prepared for the Minister of Municipal Affairs in accordance with the financial reporting provisions in the Province of Alberta Family and Community Support Services Act and Alberta Regulation 218/94 • The County's compliance with the APEX Supplementary Pension Plan for 2022. 	<ul style="list-style-type: none"> ▶ We issued an unqualified opinion on the financial statements of the Strathcona County Library Board for the year ended December 31, 2022 on April 17, 2023 ▶ We issued an unqualified opinion on the financial statements of the Pioneer Housing Foundation for the year ended December 31, 2022 on April 11, 2023. ▶ We issued an unqualified opinion on the FCSS Statement of Revenues and Expenditures for the year ended December 31, 2022 on April 27, 2023. ▶ The APEX audit is in progress and will be submitted prior to the June 30, 2023 deadline.

	Services & Deliverables	Status Update
Audit and audit-related services	<ul style="list-style-type: none"> ▶ Express opinions on: <ul style="list-style-type: none"> • The Family Resource Network (“FRN”) Program Statement of Revenues and Expenditures for the year ended March 31, 2023 prepared for the Minister of Children’s Services in accordance with the financial reporting provisions in the Family Resource Network Operational Grant Agreement. • Issue a written communication to: <ul style="list-style-type: none"> - Management and Council describing significant deficiencies in internal control identified during our audit, should any be noted; and, - Management of other deficiencies in internal control identified during our audit that in our professional judgment merit management’s attention, should any be noted. 	<ul style="list-style-type: none"> ▶ The FRN audit is in progress and will be submitted prior to the June 30, 2023 deadline. ▶ We will update management and Council in short order.
Other services	<ul style="list-style-type: none"> • Agreed upon procedures on the annual contributions to the Local Authorities Pension Plan (“LAPP”) for 2022. 	<ul style="list-style-type: none"> ▶ The LAPP Compliance report is in progress and will be submitted prior to the June 30, 2023 deadline.

Critical Policies, Estimates, & Areas of Audit Emphasis

Area of emphasis/critical accounting policy	Critical accounting policy? (Note 1)	Ernst & Young comments on quality and application of accounting policy, significant estimates, financial statement disclosures and related matters
<p>Revenue recognition</p> <p>Taxation revenues are recorded in the period to which the assessment relates, and reasonable estimates of amounts can be made.</p> <p>Government transfers are recognized in revenue when they are authorized and when eligibility criteria have been met. Under certain circumstances, agreements may create a liability which is deferred until certain criteria are met.</p> <p>Development charges must be used for specific purposes and are deferred and recognized in revenue in the period in which the resources are used for the specified purpose(s).</p> <p>When appropriate, fees and user charges are deferred and recognized in revenue in the period in which the resources are used for the specified purpose(s).</p>	<p>✓</p>	<ul style="list-style-type: none"> ▶ We ensured that tax revenue was calculated based on tax rates approved by County Council and confirmed amounts requisitioned directly with third parties. ▶ We reviewed the recognition of government transfers subject to external restrictions to ensure that they were recognized appropriately. In addition, we agreed all significant government transfers to the related agreements and cash receipts. ▶ We selected a sample of revenue transactions and traced them to supporting documentation to ensure they were appropriately recorded and approved. ▶ We performed analytics over the main revenue streams to ensure they were appropriately recorded in the year and are within expectations. ▶ We performed analytics over the main revenue streams to ensure they were appropriately recorded in the year and are within expectations.

Area of emphasis/critical accounting policy	Critical accounting policy? (Note 1)	Ernst & Young comments on quality and application of accounting policy, significant estimates, financial statement disclosures and related matters
<p>Tangible capital assets</p> <p>Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to the acquisition, construction, development, or betterment of the assets. The tangible capital assets' cost, excluding land, are amortized on a straight-line basis over their estimated useful lives.</p> <p>With the implementation of the Strathcona County Business Transformation (SCBT) Project, an assessment will be performed to determine if the costs associated with this project should be expensed or capitalized.</p>	✓	<ul style="list-style-type: none"> ▶ During the audit we tested a sample of additions and disposals of tangible capital assets to supporting documentation and tested the reasonability of amortization recorded during the year. ▶ We reviewed the costs associated with the implementation of the SCBT Project and noted they were appropriately expensed in accordance with accounting standards. ▶ The County's tangible capital asset capitalization and amortization policies are appropriate. Estimated useful lives for assets are consistent with prior years and appear reasonable compared to those applied by other Alberta municipalities ▶ Based on the testing performed, the tangible capital assets appear appropriately recorded.

Area of emphasis/critical accounting policy	Critical accounting policy? (Note 1)	Ernst & Young comments on quality and application of accounting policy, significant estimates, financial statement disclosures and related matters
<p>Investments</p> <p>The County values investments at amortized cost less any amounts allowed to reflect a permanent decline in value.</p> <p>If the fair value of investments is less than cost, the County must assess whether the impairment is considered other-than-temporary and, if so, recognize the other-than-temporary impairment in the statement of operations.</p>	✓	<ul style="list-style-type: none"> ▶ We verified the cost and market value of investments through external confirmation and reviewed management's assessment of market value for potential impairment. ▶ During the year, management identified that investment income on certain bonds purchased in 2013 was being incorrectly recorded, resulting in an overstatement of previous years income of \$1.04M. Management adjusted this prior period error in 2022 resulting in an understatement of 2022 the annual surplus. As this amount is immaterial, we have recorded its effect on the schedule of uncorrected misstatements below. ▶ Based on our testing the County's investments are appropriately recorded and in compliance with the investment policy.
<p>Expenses, and cut-off of year-end transactions</p> <p>In accordance with PSAS, expenses must be recorded in the period in which they are incurred, not in the period in which cash is paid.</p>		<ul style="list-style-type: none"> ▶ The County's policies related to the recording of expenses are appropriate under PSAS and consistent with those applied by other Alberta municipalities. Policies are unchanged from those applied last year. <i>(Cont'd)</i>

Area of emphasis/critical accounting policy	Critical accounting policy? (Note 1)	Ernst & Young comments on quality and application of accounting policy, significant estimates, financial statement disclosures and related matters
<p>Expenses, and cut-off of year-end transactions</p> <p>In accordance with PSAS, expenses must be recorded in the period in which they are incurred, not in the period in which cash is paid.</p>		<ul style="list-style-type: none"> ▶ As at December 31, 2022 the County recorded a liability of \$4.7M for RCMP retroactive pay owing based on information available to them at that time. Subsequent to year-end management received an invoice for the RCMP actual retroactive pay owing in the amount of \$3.2M, which is \$1.5M less than management's estimate. As this amount is immaterial, management has chosen to not adjust for this true-up of their estimate in 2022 and, as a result, accounts payable is overstated and annual surplus is understated, which we have recorded on the schedule of uncorrected misstatements below. Management has adjusted this misstatement in 2023. ▶ As at December 31, 2022 the County recorded a liability of \$3.07M for health and dental benefits. Based on a review of information available, a methodology has been identified to calculate this amount more accurately. This new methodology results in an estimated \$770K owed to the County's benefit administrator at December 31, 2022, for employee health and dental claims related to 2022. As a result, accounts payable is overstated and annual surplus is understated, by \$2.3M which we have recorded on the schedule of uncorrected misstatements below. Management is working towards implementing the new methodology on a go forward basis. (Cont'd)

Area of emphasis/critical accounting policy	Critical accounting policy? (Note 1)	Ernst & Young comments on quality and application of accounting policy, significant estimates, financial statement disclosures and related matters
<p>Expenses, and cut-off of year-end transactions</p> <p>In accordance with PSAS, expenses must be recorded in the period in which they are incurred, not in the period in which cash is paid.</p>		<ul style="list-style-type: none"> ▶ As part of our standard audit testing, we examine payments made subsequent to year end to ensure accounts payable are complete and accurate as at year end. During our testing, we noted an invoice related to the acquisition of capital assets was recorded in the accounts payable subledger and was also accrued, resulting in an expense being recorded twice. Payment was only made once, correctly. However, as at year end, both accounts payable and tangible capital assets were overstated by \$1.55M, which we have recorded on our schedule of uncorrected misstatements below. ▶ In our review of the County's bank reconciliations, we noted that there were payments of \$998,500 which had been withdrawn from the bank account but were not recorded in the County's accounting system, however, these amounts were tracked by management in the bank reconciliation. This resulted in an overstatement of cash and accounts payable in the financial statements. As this amount is immaterial, we have recorded its effect on the schedule of uncorrected misstatements below. <i>(Cont'd)</i>

Area of emphasis/critical accounting policy	Critical accounting policy? (Note 1)	Ernst & Young comments on quality and application of accounting policy, significant estimates, financial statement disclosures and related matters
<p>Expenses, and cut-off of year-end transactions</p> <p>In accordance with PSAS, expenses must be recorded in the period in which they are incurred, not in the period in which cash is paid.</p>		<ul style="list-style-type: none"> ▶ In our review of the County's accrued vacation and banked time schedules we noted calculation errors resulting in an overstatement of accrued vacation and banked time and an understatement of annual surplus of \$1.02M. As this amount is immaterial, we have recorded its effect on the schedule of uncorrected misstatements below. ▶ Based on our testing of expenses and other audit procedures related to transactions occurring subsequent to the year end, other than the misstatements identified above, we did not identify any issues related to recorded expenses and cut-off.

Area of emphasis/critical accounting policy	Critical accounting policy? (Note 1)	Ernst & Young comments on quality and application of accounting policy, significant estimates, financial statement disclosures and related matters
<p>Canadian Audit Standard “CAS” 315</p> <p>CPA Canada has just released a new audit standard and requirements, <i>Canadian Audit Standard CAS 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment</i></p> <p>The audit risk model in revised CAS 315 has not changed. The standard has, however, been significantly revised, reorganized and enhanced to require a more robust risk identification and assessment in order to promote better responses to the identified risks. The revised standard introduces new concepts and definitions, enhancements and clarifications to help the auditor apply the audit risk model, and strengthened documentation requirements relating to the exercise of professional skepticism, among other things.</p>		<ul style="list-style-type: none"> ▶ We worked with management, to document, analyze, understand and walk through the IT processing of your financial data. ▶ Of note, CAS 315 does not address auditing the implementation and transition of the new system, nor its testing nor modifications. It is meant to require a more robust risk identification and assessment in order to promote better responses to the identified risks, including those related to your IT systems. Much of the CAS 315 audit risk model enhancements were already included in EY Global Audit Methodology. ▶ As a result of your new accounting system implementation and certain differences discovered by management and/or EY as noted within this document, we concluded that our extent of substantive testing required additional incremental scope and extents of samples tested, which we have completed. ▶ Please see additional commentary in coming slides.

Area of emphasis/critical accounting policy	Critical accounting policy? (Note 1)	Ernst & Young comments on quality and application of accounting policy, significant estimates, financial statement disclosures and related matters
<p>SCBT and Data Transition</p> <p>During the year, management substantially completed the SCBT transformation project. This has necessitated additional audit procedures to be completed as part of the year end financial statement audit.</p>		<ul style="list-style-type: none"> ▶ We reviewed management’s summary reports documenting the changes to applications and the adoption of new applications. ▶ We updated our documentation to include changes, new processes and control owners, especially as they relate to financial reporting. ▶ We walked through key processes to confirm our understanding of their operations. ▶ We reviewed summaries of the implementation process. ▶ We reviewed beta/data testing performed by management, as they relate to financial reporting. ▶ We tested the migration of data in the previous financial systems to the new financial systems. ▶ Based on our understanding and testing of the SCBT system conversion, we did not identify any issues related to the data conversion as at the date of transition of the data. As noted above, we did expand our extents of testing as it related to the final accounts reported in the County’s year end financial statements.

Area of emphasis/critical accounting policy	Critical accounting policy? (Note 1)	Ernst & Young comments on quality and application of accounting policy, significant estimates, financial statement disclosures and related matters
<p>Regional Water Customer Group</p> <p>The County is party to the “Regional Water Customer Services Agreement” with other municipalities and water commissions (“RWCG”), of which it is a member but does not control, to purchase wholesale water. As part of its management responsibilities with respect to RWCG, as at December 31, 2022, the County holds and records assets in its accounts on behalf of RWCG in the amount of approximately \$7M (2021 - \$2M) including cash of approximately \$2M (2021 - \$2M) and accounts receivable of approximately \$5M (2021 – nil) and accordingly records the amounts as a corresponding and offsetting liability to RWCG.</p>		<p>► Based on our review of the agreements and discussions with management, we concluded the accounting and note disclosure surrounding the RWCG is appropriate.</p>

Note 1: Represents critical accounting policies included in notes to the financial statements

Fraud considerations & the risk of management override

We are responsible for planning and performing our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or by fraud (CAS 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*.)

Our audit procedures encompassed the requirements of CAS 240: brainstorming, gathering information to facilitate the identification of, and response to, fraud risks and performing certain procedures to address the risk of management override, including examining journal entries, reviewing accounting estimates and evaluating the business rationale of significant unusual transactions. Although we have not identified a specific fraud risk in the current year, we have examined journal entries, reviewed accounting estimates for management bias and evaluated the business rationale of significant unusual transactions as required by our professional standards. Based on the procedures performed there are no items that merit the attention of Council.

Corrected and uncorrected misstatements

During the course of our audit, we accumulate differences between the amount, classification, presentation and disclosure of a financial statement item recorded or reported by the County and the amount, classification or presentation and disclosure that we believe is required to be recorded or reported under generally accepted accounting principles. Following is a summary of those misstatements we have identified through the date of this report that have not been corrected by the County.

Unrecorded differences may become material because of the risk of additional undetected differences or their impact to subsequent interim or annual periods. As a result, we encourage the recording of all audit differences.

Schedule of uncorrected misstatements

		Assets \$	Liability \$	Revenue/ Expenses \$
	Account/description of misstatement	Impact Debit/(Credit)		
1	To record transactions paid in 2022 but not recorded in the general ledger			
	Accounts payable and accrued liabilities	-	998,500	-
	Cash and cash equivalents	(998,500)	-	-
2	Overstatement of investment income recorded in prior years corrected in 2022			
	Other expenses	-	-	(890,000)
3	Reverse accrual for an invoice duplicated in accounts payable			
	Accounts payable and accrued liabilities	-	1,550,000	-
	Tangible capital assets	(1,550,000)	-	-
4	To update calculation of accrued vacation and bank time			
	Accounts payable and accrued liabilities	-	1,020,000	-
	Salaries, wages, benefits and employee expenses	-	-	(1,020,000)
5	To update RCMP retroactive pay estimate to the actual amount payable			
	Accounts payable and accrued liabilities	-	1,500,000	-
	Salaries, wages, benefits and employee expenses	-	-	(1,500,000)
6	To adjust the dental and health accruals to reflect actual amounts paid subsequent to year-end			
	Accounts payable and accrued liabilities		2,300,000	
	Other operating revenue			(2,300,000)

Summary of significant disclosure deficiencies

During the course of our audit, we identify those significant disclosures required in the 2022 consolidated financial statements of the County, that we believe were not adequately reflected. There were no such disclosure differences noted during the completion of our audit that warrant the attention of Council.

APPENDIX A:

REQUIRED COMMUNICATIONS

Area	Comments
<p>Auditor’s responsibilities under Canadian GAAS, including discussion of the type of opinion we are issuing</p> <p>The financial statements are the responsibility of management. Our audit was designed in accordance with Canadian auditing standards to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.</p>	<p>Upon completion of our remaining audit procedures, we currently expect to issue an unqualified opinion on the County’s financial statements as of and for the year ended December 31, 2022.</p>
<p>Overview of planned scope and timing</p> <p>We discuss with those charged with governance an overview of the planned audit scope and timing. These discussions are intended to assist those charged with governance in better understanding the consequences of the auditor’s work for their oversight activities, discussing with the auditor issues of risk and materiality, and identifying any areas for which they may request the auditor to undertake additional procedures.</p>	<p>We communicated our Audit Plan dated September 7, 2022. There were no significant changes in the planned scope and timing of our audit, other than as noted above.</p>

Area	Comments
<p>Our responsibility, any procedures performed or expected to be performed and the results relating to other information in documents containing audited financial statements</p> <p>Our responsibility to read the other information in documents containing audited financial statements and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.</p>	<p>We will read the County’s Financial Highlights and Results when it becomes available and if, based on the work we will perform on this other information, we identify any material misstatements in this other information, we will report this fact to you.</p>
<p>Major issues discussed with management in connection with initial appointment or recurring retention</p> <p>We discuss with those charged with governance any major professional issues that were discussed (orally or in writing) with management in connection with our initial appointment or recurring retention as the auditor, including, among other matters, any discussions regarding the application of accounting principles and auditing standards, the scope of the audit, financial statement disclosures and the wording of the auditor’s report. We communicate those major professional issues we discussed with management, prior to our being hired as the auditors, and during the client’s two most recently completed fiscal years and any subsequent interim period.</p>	<p>None.</p>

Area	Comments
<p>Significant audit adjustments, including significant disclosure differences that merit the attention of those charged with governance</p> <p>We provide those charged with governance with information about adjustments and disclosure differences that merit the attention of those charged with governance arising from the audit (whether corrected or not) that could in our judgment, either individually or in the aggregate, have a significant effect on the County’s financial statements.</p>	<p>Refer to the previous “Corrected and uncorrected misstatements” section.</p>
<p>Uncorrected misstatements, including significant disclosure differences that merit the attention of those charged with governance, considered by management to be immaterial</p> <p>We inform those charged with governance about uncorrected misstatements accumulated by us (i.e., adjustments either identified by us or brought to our attention by management) during the current audit and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.</p>	<p>Refer to the previous “Corrected and uncorrected misstatements” and “Summary of significant disclosure deficiencies” sections.</p>
<p>Critical accounting policies and practices</p> <p>We communicate all critical accounting policies and practices used by the County in preparing the financial statements and our assessment of the disclosure of such policies.</p>	<p>We have provided our views in the section titled, “Critical policies, estimates and areas of audit emphasis.”</p>

Area	Comments
<p>Our judgments about the quality of the County’s accounting principles</p> <p>We discuss our judgments about the quality, not just the acceptability, of the accounting policies as applied in the County’s financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and related disclosures.</p>	<p>We have provided our views in the section titled, “Critical policies, estimates and areas of audit emphasis.”</p>
<p>The adoption of, or a change in, an accounting principle</p> <p>We determine that those charged with governance are informed about the initial selection of, and any changes in, significant accounting principles or accounting policies or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.</p>	<p>No new adoption of standards in the fiscal year.</p>
<p>Methods of accounting for significant unusual transactions and for controversial or emerging areas</p> <p>We determine that those charged with governance are informed about the methods used to account for significant unusual transactions and the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p>	<p>No significant unusual transactions.</p> <p>No significant accounting policies in controversial or emerging areas exist for which there is a lack of authoritative guidance or consensus.</p>

Area	Comments
<p>Sensitive accounting estimates</p> <p>The preparation of the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management’s current judgments.</p> <p>We determine that those charged with governance are informed about management’s process for formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.</p>	<p>We have provided our views in the section titled, “Critical policies, estimates and areas of audit emphasis.”</p>
<p>Material alternative accounting treatments discussed with management</p> <p>We discuss with those charged with governance all alternative accounting treatments within GAAP for policies and practices related to material items (including recognition, measurement, presentation and disclosure alternatives) that have been discussed with management during the current audit period including:</p> <ul style="list-style-type: none"> ▶ Ramifications of the use of such alternative disclosures and treatments, including the reasons why the alternative was selected and, if management did not select our preferred alternative, the reasons why it was not selected. ▶ The treatment preferred by us. 	<p>During fiscal 2022, there were no material alternative accounting treatments that required discussion with management.</p>

Area	Comments
<p>Disagreements with management</p> <p>We discuss with those charged with governance any disagreements with management, whether or not they are satisfactorily resolved, about matters that individually or in the aggregate could be significant to the County's financial statements or the auditor's reports.</p>	None.
<p>Management's consultations with other accountants</p> <p>When we are aware that management has consulted with other accountants about auditing, accounting, or reporting matters, we discuss with those charged with governance our views about significant matters that were the subject of such consultation.</p>	None of which we are aware.
<p>Serious difficulties encountered in dealing with management when performing the audit</p> <p>We inform those charged with governance of any serious difficulties encountered in dealing with management related to the performance of the audit.</p>	None.

Area	Comments
<p>Fraud and non-compliance with laws and regulations (illegal acts)</p> <p>We communicate to those charged with governance fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.</p> <p>We also communicate other matters of non-compliance with laws and regulations that come to our attention during the audit, unless they are clearly inconsequential.</p>	<p>We are not aware of any matters that require communication. Refer to the “Fraud considerations and risk of management override” section for more information about our procedures related to the risks of material misstatement due to fraud.</p>
<p>Other material written communications with, and representations sought from management</p> <p>We determine that those charged with governance have received copies of all material written communications with management, including representations requested from them related to uncorrected errors.</p>	<p>Copies of our annual audit engagement letters are available from the County or EY.</p> <p>A copy of the draft letter of representation is attached in Appendix B.</p>
<p>Related party transactions</p> <p>The auditor shall communicate with those charged with governance significant matters arising during the audit in connection with the County’s related parties.</p>	<p>No such matters of which we are aware.</p>

Area	Comments
<p>Independence matters</p> <p>We communicate, at least annually, the following to those charged with governance:</p> <ul style="list-style-type: none"> ► Describe, in writing, all relationship between Ernst & Young and our associated entities and the County and its affiliates or persons in financial reporting oversight roles at the County that may reasonably be thought to bear on our independence; and ► Discuss with those charged with governance the potential effects of those relationships on independence. 	<p>We confirm that we are not aware of any relationships between the County and Ernst & Young that, in our professional judgment, may reasonably be thought to bear on our independence.</p> <p>We would be pleased to discuss with Council any matters relating to our independence.</p>
<p>Other findings or issues regarding the oversight of the financial reporting process</p> <p>We communicate other findings or issues, if any, arising from the audit that are, in our professional judgement, significant and relevant to those charged with governance regarding their oversight of the financial reporting process.</p>	<p>There are no other findings or issues arising from the audit that are, in our judgement, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.</p>
<p>Subsequent events</p> <p>We inquire of management and, where appropriate, those charged with governance as to whether any subsequent events have occurred which might affect the financial statements.</p>	<p>As of the date of this report, there are no additional subsequent event matters which we are aware of, except for those disclosed in the consolidated financial statements.</p>

APPENDIX B: Letter of representation

July 4, 2023

Ernst & Young LLP
EPCOR Tower
Suite 1400, 10423 - 101 Street
Edmonton, AB
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In connection with your audit of the consolidated financial statements of Strathcona County (the "County") as of December 31, 2022 and for the year then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Strathcona County in accordance with Canadian public sector accounting standards.

We understand that your audit of our consolidated financial statements was conducted in accordance with Canadian generally accepted auditing standards and was, therefore, designed primarily for the purpose of expressing an opinion on the consolidated financial statements as a whole, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, as of July 4, 2023, which are true to the best of our knowledge and belief:

Financial statements and financial records

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement agreement dated August 31, 2022, for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge that, as members of management of the County, we are responsible for the fair presentation of the consolidated financial statements. We believe the consolidated financial statements referred to above present fairly, in all material respects, the financial position, results of operations and cash flows of the County in accordance with Canadian public sector accounting standards.
4. The significant accounting policies adopted in the preparation of the consolidated financial statements are fully and fairly described in the financial statements.
5. As members of management of the County, we believe that the County has a system of internal controls adequate to permit the preparation of accurate consolidated financial statements in accordance with Canadian public sector accounting standards.
6. We are not aware of any significant deficiencies in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since December 31, 2022.
7. From April 26, 2022 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the consolidated financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Other information

1. Other information comprises financial or non-financial information (other than financial statements and the auditor's report thereon) included in an entity's annual report, which is defined as a document, or a combination of documents, with the following characteristics:
 - (a) contains or accompanies the financial statements and our auditor's report thereon,
 - (b) is typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation or custom, and
 - (c) the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position as set out in the financial statements.

We are responsible for the other information and have informed you of all of the documents that we expect to issue that may comprise other information.

We intend to prepare and issue the Financial Highlights and Results and will provide you with the final version of the other information when available. We will provide you with the other information prior to the issuance of the documents, so that you may complete your required procedures.

Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the County's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge our responsibility for the design, implementation and maintenance of programs and internal control to prevent and detect fraud and error.
3. We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud.

We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the County (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the County's consolidated financial statements
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the consolidated financial statements, but compliance with which may be fundamental to the operations of the County's business, its ability to continue in business, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others

Uncorrected misstatements

1. We believe that the effects of those uncorrected misstatements, summarized in the accompanying schedule, accumulated by you during the current and prior audit periods presented, are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. In addition, to the extent that uncorrected misstatements have been subsequently identified in the current period that affect prior period consolidated financial statements, we have evaluated the effect of correcting prior period consolidated financial statements and believe that the effects of the uncorrected misstatements are period consolidated financial statements taken as a whole.

Independence

1. We have communicated to you the names of all the County's affiliates, officers, directors and elected officials.
2. We are not aware of any business relationship between the County and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.
3. We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the County's audit.

Completeness of information

1. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation of the consolidated financial statements such as records, documentation and other matters
 - (b) Additional information that you have requested from us for the purpose of the audit
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence
2. We have made available to you all minutes of the meetings of Council and committees of Council (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: June 20, 2023.
3. We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the consolidated financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.
4. There are no transactions, events or conditions of a material nature, individually or in the aggregate, that have not been properly recorded in the accounting records underlying the consolidated financial statements.
5. We confirm the completeness of the information provided regarding the identification of related parties. We have disclosed to you the identity of the County's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, commitments, guarantees, non-monetary transactions and transactions for no consideration for the year ended December 31, 2022, as well as related balances due to or from such parties at the year end. These transactions have been properly measured and disclosed in the consolidated financial statements.

Recognition, measurement and disclosure

1. We believe that the appropriateness of the methods, the consistency in application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in developing accounting estimates and related disclosures used in the preparation of the consolidated financial statements, including those measured at fair value are reasonable and supportable.
2. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the consolidated financial statements.

Risk and measurement uncertainties

1. We have disclosed the assumptions we have made about the future, and all other major sources of estimation uncertainties, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Ownership of assets

1. The County has satisfactory title to all assets appearing in the consolidated statement of financial position, and there are no liens or encumbrances on the County's assets, nor has any asset been pledged except as disclosed in the consolidated financial statements. All assets to which the County has satisfactory title appear in the consolidated statement of financial position, except for works of art and historical treasures, developed or inherited intangibles, items inherited by right of the Crown and natural resources.

Side arrangements and other agreements

1. There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Receivables and revenues

1. Receivables represent valid claims against the debtors indicated. All revenue recognized as of the statement of financial position date has been realized (or is realizable) and earned. Revenue has not been recognized before (1) persuasive evidence of an arrangement exists, (2) service rendered, (3) consideration to be received is fixed or determinable, and (4) collectability is reasonably assured.
2. Adequate provision has been made for losses, costs, and expenses that may be incurred subsequent to the consolidated statement of financial position date in respect of sales and services rendered prior to that date and for uncollectible accounts, discounts, returns, and allowances, etc., that may be incurred in the collection of receivables at that date.

Government transfers

1. We have disclosed all significant terms and agreements related to government transfers, regardless of whether we are the transferring government or the recipient government.
2. The County, when it is the recipient government, has recognized government transfers without eligibility criteria or stipulations as revenue in the period the transfers are authorized. Transfers with eligibility criteria but without stipulations have been recognized as revenue when the transfers are authorized and all eligibility criteria were met. Transfers with stipulations (with or without eligibility criteria) have been recognized as revenue in the period the transfers were authorized and any eligibility criteria were met; however, any such transfers that gave rise to an obligation that met the definition of a liability were instead recorded as such and were excluded from revenue. The County reduces the liability and recognizes the revenue as it settles the liability.

Tax revenue

1. The County has recognized taxes as assets and revenue only when they met the definition of an asset, they were authorized and the taxable events had occurred. Taxes imposed and collected on behalf of others have not been included in the County's tax revenue. The County initially recorded tax revenue at its best estimate of the amount of that revenue; subsequent adjustments are accounted for as changes in estimates.
2. The County has, as at the consolidated statement of financial position date, evaluated the extent to which its tax receivables are ultimately collectible and has recorded valuation allowances as needed to reflect these receivables at their net recoverable amount.
3. When the County makes transfers through the tax system, it records these transfers in expenses and not as a reduction of tax revenue.
4. The County has not grossed up its tax revenue for the amount of any tax concessions provided.

Contributions

1. All contributions received were complete and appropriately classified and administered according to the restrictions specified by the donor.
2. Externally restricted inflows have only been recognized as revenue in the consolidated financial statements in the period in which the resources are used for the purpose specified. Any externally restricted assets that are segregated have been disclosed in the notes or schedules to the consolidated financial statements.
3. Any information presented about designated assets has been included in the notes, and not on the statement of consolidated financial position.

Financial Instruments

1. We have evaluated if there are indicators of impairment for all financial assets measured at cost or amortized cost, and where there has been a significant adverse change in the expected timing or amount of future cash flows from a financial asset or group of similar financial assets, we have assessed if a reduction in the carrying value is necessary. When an impairment is necessary, the carrying amount of the asset, or group of assets have been reduced to the highest of the cash flows expected to be generated by holding the asset, the amount that could be realized by selling the asset, and the amount the entity expects to realize by exercising any right to collateral held to secure repayment of the asset net of all costs necessary to exercise those rights. The amount of the impairment has been included in annual surplus.

Arrangements with financial institutions

1. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the consolidated financial statements.

Controlled and related entities

1. We have appropriately defined the government reporting entity by identifying all governmental units, comprising all government components, government not-for-profit organizations and other government organizations but excluding government business enterprises and trusts under administration. We have consolidated all governmental units included in the government reporting entity in the County's consolidated financial statements.

Tangible capital assets

1. We have accounted for software in accordance with PS 3150, Tangible capital assets.
2. All charges to tangible capital asset accounts during the year represent actual additions and no tangible capital asset expenditures have been charged to expense during the year.
3. Contributed tangible capital assets received during the year have been recorded at their fair value at the date of contribution. If an estimate of their fair value at the date of contribution cannot be reasonably determined, they were recognized at nominal value.
4. All tangible capital assets sold or dismantled during the year have been properly accounted for in the accounts.
5. Appropriate rates have been used to depreciate and amortize these assets over our estimation of their useful lives.
6. No events or changes in circumstances of the tangible capital assets have occurred that indicate the assets no longer have any long-term service potential to the County, except as noted below. Our estimates of future service potential are based on reasonable and supportable assumptions regarding the expected use of the assets.
7. We have identified assets that no longer have any long-term service potential to the County. The excess of the net carrying amount over the residual value of these assets has been recognized as an expense in the statement of operations.

Events of default under debt agreement

1. No events of default have occurred with respect to any of the County's debt agreements.

Liabilities and contingencies

1. All liabilities and contingencies, including those associated with loan guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated financial statements.
2. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent.
4. All liabilities have been discounted to reflect the time value of money, where such effect is material.
5. 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, and there have been no internal investigations or communications from regulatory agencies or government representatives in any jurisdiction concerning investigations or allegations of non-compliance.
6. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated financial statements or as the basis of recording a contingent loss.

Oral or written guarantees

1. There are no oral or written guarantees including guarantees of the debt of others.

Purchase commitments

1. At the year end, the County had no commitments that involve a high degree of speculative risk, when the taking of such risks is not inherent in the nature of the business, or commitments to make expenditures that are abnormal in relation to the financial position or usual business operations (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfillment of, or inability to fulfill, sales commitments, etc.).

Employee future benefits

1. We have disclosed to you all significant retirement benefits, post-employment benefits, compensated absences and termination benefits (as defined in CPA Canada Public Sector Accounting Handbook Sections 3250 and 3255) promised and have made available to you all significant summary plan descriptions, benefit communications, and all other relevant information, including plan changes, that constitute the plan.

Budgetary data

1. The budgetary data included in the consolidated financial statements reflects the budget that was originally approved by the County's governance. The budgetary data is presented for the same scope of activities and on a basis consistent with that used for actual results.

Consolidated accounts

1. All significant intercompany transactions have been disclosed to you and properly eliminated in the consolidated financial statements (e.g. intercompany profits in inventories and tangible capital assets intercompany balances, etc.).

Segment disclosures

1. The information about segments included in the notes to the consolidated financial statements has been prepared and presented in conformity with PS 2700, Segment disclosures.
2. We have appropriately identified our segments based on the County's existing accountability framework and the way in which operations are managed.
3. The segment information is prepared in accordance with the accounting policies adopted for preparing and presenting the County's consolidated financial statements.

Going concern

1. We have made an assessment of the County's ability to continue as a going concern.

Use of the work of a specialist

1. We agree with the findings of specialists in evaluating the property tax revenue and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated financial statements and the underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Subsequent events

1. Subsequent to December 31, 2022, no events or transactions have occurred or are pending that would have a material effect on the consolidated financial statements at that date or for the period then ended, or that are of such significance in relation to the County's affairs to require mention in a note to the consolidated financial statements in order to make them not misleading regarding the consolidated financial position, results of operations, or cash flows of the County.

Going concern

1. In connection with your audit of the comparative consolidated financial statements for the year ended December 31, 2021, we represent, to the best of our knowledge and belief, the following:
 - There have been no significant errors or misstatements, or changes in accounting policies that would require a restatement of the amounts from the consolidated financial statements for the year ended December 31, 2021 which are shown as comparative amounts in the consolidated financial statements for the year ended December 31, 2022. Any differences in the comparative amounts from the amounts in the consolidated financial statements for the year ended December 31, 2021 are solely the result of reclassifications for comparative purposes.