



What Auditors Need to Know

Municipal Funding Agreement Provision

Audit Section 7.1 h of the Agreement requires municipalities to have its auditor prepare annually an Audit Statement.

“7.1 h. an annual Audit Statement prepared by the Recipient’s auditor in accordance with section 5815 of the Canadian Institute of Chartered Accountants Handbook – Special Reports – Audit Reports on Compliance with Agreements, Statutes and Regulations, providing assurance that the terms of the Agreement have been adhered to and Funds received by the Recipient have been spent in accordance with the Agreement.”

Scope of the Annual Audit Statement

We have been asked by a number of municipalities what the scope of this requirement is and we are happy to provide clarification. Over the life of the Agreement the Audit Statement scope should include: sections 3.1, 5.1, 5.4, 6.2, 6.5 to 6.9, 7.1 a to g, 7.2, 8.1 to 8.3, 9.1, 9.2 and 10.2 of the Agreement.

In instances of municipal reporting requirements, the auditor is expected to comment on whether or not a municipality has complied with the provision. The auditor is not expected to comment on the quality of reports produced by the municipality.

Special Notes

Increased scrutiny has been focused recently on how interest is calculated as per section 6.5 (b) of the Agreement: Interest should be earned on unspent funds. The method of calculating this should be on a reasonable basis. If interest is calculated for other reserve and reserve funds on a monthly basis, the unspent Gas Tax funds should earn interest on this basis as well. It should also be noted that the interest rate used should be comparable to the one used for other reserve funds which are required to earn interest.

Section 8.3 of the Agreement is deemed material to compliance with the Agreement. Those municipalities that are not compliant will have their future Gas Tax payments withheld until the requirement is fully met.

For more information, contact Judy Dezell, Manager, Federal Gas Tax:
416-971-9856 ext. 306, gastax@amo.on.ca

