

**Chalupiak & Associates**  
**Certified Management Accountant**  
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September 13, 2017

Muscowpetung First Nation  
P.O. Box 1310  
Fort Qu'Appelle, SK S0G 1S0

**Re: Management letter – year ended March 31, 2017**

We have been engaged to audit the financial statements of Muscowpetung First Nation for the year ending, March 31, 2017. Canadian generally accepted standards for audit engagements require that we communicate the following information with you in relation to our audit.

**Evaluation of Internal Controls**

Audits include a review and evaluation of the system of internal controls to assist in determining the level of reliance that may or should be placed on the system in assessing the nature and extent of audit procedures to be undertaken.

The internal control system is adequate and serves its purposes. It provides appropriate control over expenses, and documentation is filed in an orderly manner.

**Significant Accounting Policies**

Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and application as part of our audit. The accounting policies used by the Muscowpetung First Nation are described in note #2, Significant Accounting Policies, in the financial statements.

As is usual with First Nation related entities, often times there is a conflict between generally accepted accounting principles, and the principles that must be applied to satisfy the requirements of the funding agencies, as described in the "Auditor's Handbook" published by Aboriginal Affairs and Northern Development Canada.

The Muscowpetung First Nation has adopted accounting principles drawn from both areas to suit their specific circumstances, and there have been no changes or new policies adopted in the current year.

**Significant Unusual Transactions**

We are not aware of any significant or unusual transactions entered into by the Muscowpetung First Nation you should be informed about.

## **Accounting Estimates**

Management is responsible for the accounting estimates included in financial statements. Estimates and the related judgments and assumptions are based on management's knowledge of the Muscowpetung First Nation and past experience about current and future events.

Our responsibility as auditors is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the financial statements as a whole. An audit includes performing appropriate procedures to verify the following:

- Calculation of accounting estimates;
- Analyzing of key factors such as underlying management assumptions;
- Materiality of estimates individually and in the aggregate in relation to the financial statements as a whole;
- Estimate's sensitivity to variation and deviation from historical patterns;
- Estimate's consistency with the entity's business plans; and
- Other audit evidence.

Certain accounting estimates are particularly sensitive because they involve a significant degree of judgment and may have a range of possible outcomes.

We did not encounter any unusually sensitive accounting estimates of a significant nature that were not consistent with prior year's estimates.

## **Disagreements with Management**

We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in aggregate significant to the Muscowpetung First Nation's financial statements or auditor's report. Disagreements may arise over the following:

- Selection or application of accounting principles;
- Assumptions and related judgments for accounting estimates;
- Financial statement disclosures;
- Scope of the audit; or
- Wording of the auditor's report.

We are pleased to inform you that we had no disagreements with management during the course of our audit.

## **Consultation with Other Accountants (Second Opinions)**

Management may consult with other accountants about auditing and accounting matters to obtain a "second opinion." When an entity requests that another accountant provide a written report or oral advice on the application of accounting principles to a specific transaction or the type of opinion that may be rendered on the entity's financial statements, we are required to ensure that the accountant has ensured that the reporting accountant has knowledge of all facts and circumstances and has conducted the engagement in accordance with Canadian generally accepted auditing standards on the Reports on the Application of Accounting Principles.

We are not aware of any consultations that have taken place with other accountants.

## **Issues Discussed**

The auditor generally discusses, among other matters, the application of accounting principles and auditing standards, and fees, etc. with management during the initial or recurring appointment of the auditor during the normal course of business. There were no major issues discussed during our audit with regards to our retention that were not in the normal course of business.

## **Difficulties Encountered During the Audit**

We encountered some difficulties during our audit. These are addressed in detail under the "General Comments" section of this report.

## **General Comments**

The 2017 consolidated was unqualified.

## **Comments Related to Band Operations**

- a) The audit was basically complete in mid July but was delayed due to challenges getting information from the store. The last portion of the store information was received in the beginning of September.
- b) Funds intended for Capital Projects are not being flowed to project managers when they are received.
- c) Rents from the social development program are not being paid to CMHC operations.
- d) Payables have increased by approximately \$200,000; \$196,500 of this amount is monies owed to Maurice Law who made a payment on behalf of the First Nation to SAL Engineering of capital dollars the band received but did not transfer.

## **Recommendations – detailed**

- a) Capital monies should be transferred to project managers when they are received.
- b) Rent from social development for clients living in CMHC units should be paid to CMHC operations on a monthly basis.
- c) Store operations should be closely monitored.

We thank you for the opportunity to provide audit services to the Muscowpetung Nation. If we can be of assistance in any other way, please do not hesitate to contact us.

This communication is prepared solely for the information of the Muscowpetung Nation and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

To ensure there is a clear understanding and record of these matters, we ask that you sign your acknowledgement in the spaces provided below and return one copy to us.

Should you wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us at any time.

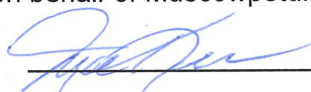
Yours truly,

*Chalupiak & Associates*  
Chalupiak & Associates

**Acknowledgement**

We have read and reviewed the above disclosures and understand and agree with the comments therein:

Signed on behalf of Muscowpetung First Nation.

  
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Date: September 13, 2017