



## TOWN OF LAKE COWICHAN

### Finance and Administration Committee

*Tuesday January 14<sup>th</sup>, 2020 at 6:00 p.m. – Council Chambers*

#### AGENDA

##### 1. CALL TO ORDER

Page #
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**INTRODUCTION OF LATE ITEMS** (if applicable)

##### 2. APPROVAL OF AGENDA

##### 3. BUSINESS ARISING AND UNFINISHED BUSINESS

###### Ongoing Items Still Being Addressed:

(a) Municipal Hall Upgrades- Update.

F/C
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(b) Water Treatment Plant - status report.

F/C
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##### 4. DELEGATIONS AND REPRESENTATIONS

(a) Ken Traynor re: Use of Jet Ski and Tubing on the Cowichan River (see correspondence item).

##### 5. CORRESPONDENCE

(a) Steve White, Kinsmen/Kinette re: Request for Letter of Support for Revitalization Project at Duck Pond.

3
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(b) David Prak, 1<sup>st</sup> Lake Cowichan Scouts re: First Aid Kit – Funding Request Update.

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(c) Ken Traynor re: Use of Jet Ski and Tubing on the Cowichan River (see delegation).

5
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##### 6. VERBAL COMMENT FROM THE PUBLIC ON A SUBSEQUENT ITEM ON THE AGENDA

– (maximum 3 minutes per speaker and maximum time allotted 15 minutes)

##### 7. REPORTS

(a) Director of Finance re: Financial Report for the Period ending December 31<sup>st</sup>, 2019.

F/C
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(b) Building Inspector's Report for December, 2019

6
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(c) Lake Cowichan Fire Department Incident Report for November, 2019.

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(d) Lake Cowichan Fire Department Incident Report for December, 2019.

9
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##### 8. NEW BUSINESS

(a) Saving the Working Forest for all Generations with BC Forestry Facts.

11
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(b) 2019 Audit Service Plan.

14
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##### 9. NOTICES OF MOTION

##### 10. PUBLIC RELATIONS ITEMS

##### 11. QUESTION PERIOD (maximum 3 minutes per speaker and maximum time allotted 15 minutes) - Limited to items on the agenda

**12. IN-CAMERA**

- (a) Section 92 of the *Community Charter* requires that before a meeting or part of a meeting is closed to the public, the council must state, by resolution, that the meeting is to be closed, and
- (b) The basis on which the meeting is to be closed falls under the following:  
s.90 (1) (c) labour relations or other employee relations.

**13. ADJOURNMENT**

## **LC Irly Bird**

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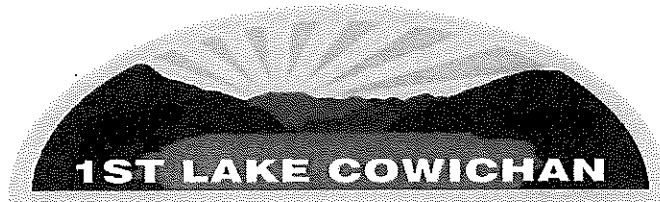
**From:** "Steve White" ·  
**Date:** Monday, November 18, 2019 3:38 PM  
**To:** <lcirly@shaw.ca>  
**Subject:** Letter of support for duck pond

Hi Rod

Its Steve White. As discussed the other day, could you write a letter of support for the Kinsmen/Kinette for the revitalization project for the duck pond.

Thank you

Get [BlueMail](#) for Android



December 30<sup>th</sup>, 2019

Town of Lake Cowichan  
c/o Joseph Fernandez  
PO Box 860, 39 South Shore Rd  
Lake Cowichan BC, V0R2G0

RECEIVED JAN 02 2020

Dear Mr. Fernandez,

Re: First Aid Kit – Funding Request Update

The 1<sup>st</sup> Lake Cowichan Scouts Group has received your request for additional information, regarding monies we had received from Cowichan Lake Forest Cooperative, and the purchase of First Aid Kits.

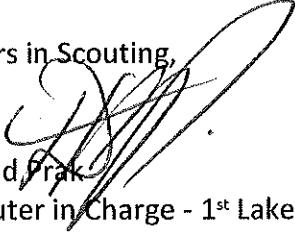
On October 1<sup>st</sup>, 2019 the 1<sup>st</sup> Lake Cowichan Scouts requested funding assistance of \$2000 to cover the cost of new first aid kits for our groups, and first aid training that had been completed at the start of the Scouting year. This request for funding was sent to the Town of Lake Cowichan, and CVRD Area's I & F.

On November 1<sup>st</sup>, 2019 the 1<sup>st</sup> Lake Cowichan Scouts also put in an application, for separate funding, for new capital items for the group, which consisted of kayaks, hiking backpacks, paddles, tents, and new life jackets. All items have been purchased, with the exception of new life jackets, which we are currently researching. We will be ending our Scouting year, May 2020, with an overnight kayak & canoe trip on Cowichan Lake, with all the youths.

Due to new Scouting policies that took effect on September 1<sup>st</sup>, 2019, all Scouting events must now have two certified first aiders, at all events. Our group includes 16 youths and 7 Scouters, which make up our Cub Pack, and Scout Troop.

We look forward to hearing back from you.

Yours in Scouting,

  
David Prak  
Scouter in Charge - 1<sup>st</sup> Lake Cowichan Scouts

## Joseph Fernandez

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**From:** Rod Peters  
**Sent:** January 9, 2020 7:29 AM  
**To:** trlm; Joseph Fernandez; Carolyne Austin; Kristine Sandhu; Lorna Vomacka  
**Subject:** Fwd: USE OF JET SKI AND TUBING ON THE RIVER  
**Attachments:** JET SKI TUBING AD.jpg

Sent from my iPad

Begin forwarded message:

**From:** Ken Traynor  
**Date:** January 8, 2020 at 10:23:43 PM PST  
**To:**

<rod.peters@lakecowichan.ca>

**Subject: USE OF JET SKI AND TUBING ON THE RIVER**

Dear All -- I received this email from Tom Roach about a new tubing company offering to use jet ski's on the river to tow people back so no shuttles. Has anyone seen this ad (copy attached) or know anything about the folks organizing the company?

Hi Ken fyi there is a notice up on 97 South Shore Rd (a commercial space) saying that there is a new river tube company opening there which will have seadoos towing the tubes back up the river instead of by shuttle bus. As you know this would be terrible both in terms of gravel and salmon egg disturbance as well as noise. I assume they haven't applied for their business license yet but wanted to give you a heads up. I will send a picture of the notice in a follow up email. Thanks Ken I hope you are having a great holiday season!

Best regards,  
Tom Roach

Ken Traynor 





# Building Report

**TO:** Chief Administrative Officer

**SUBJECT:** Building Permit Summary for the Month of DECEMBER

**DATE:** JAN. 2, 2020

**FROM:** Building Inspector

## Applications

	Outstanding Permits		Applications Completed		Taken out in Current Month
	Previous Years'	Current Year	Previous Years'	Current Year	
Single Family Dwellings	23	11		1	
Commercial	5	1			
Carport / garage	6	4		1	
Demolitions	1	2			
Renovations	15	15		1	1
Deck	9	1			
Lawn Sprinkler / Woodstove		1			
Relocated Home					
Other _____					
<b>TOTALS</b>	<b>59</b>	<b>36</b>		<b>3</b>	<b>1</b>

Building Permit Fees	Value of construction	Permit fees
For the current month	40,000.00	416.00
Year to Date	3,711,958.00	37,169.00

\_\_\_\_\_  
Dennis Young



Lake Cowichan Fire Department

P.O. Box 31

Lake Cowichan, BC

V0R 2G0

(250)749-3522

## November 2019 Monthly Incident Report

3 Practices  
1 Business Meeting  
1 Truck Check  
2 MVI  
1 Officer Page-Report of Smoke  
1 Mutual Aid w/Sahtlam Fire- MVI Entrapment-JAWS Call  
1 VIERA Firefighter I & II Skill Evaluations  
2 Medical Aid  
1 Assist RCMP (Search for Missing Person on Lake)  
1 Fire Prevention Meeting  
1 Emcon & MOT Meeting  
1 BC Hydro Meeting  
2 Alarm Activated  
1 Live Fire I & II Course  
6 Officer/Member Duty Sheets  
1 Sec/Treasurer Monthly Stipend  
3 NFPA Tests

**Total**

**\$10156.64**



Lake Cowichan Fire Department  
P.O. Box 31  
Lake Cowichan, BC  
V0R 2G0  
(250)749-3522

**Fire Stats November 2019**

<u>Date</u>	<u>Time</u>	<u>Location</u>	<u>Incident</u>	<u>Personnel</u>	<u>Hours</u>	<u>Cost</u>
11/03	10:03 AM	8728 North Shore Rd	Report of Smoke	1	1	\$20.87
11/04	7:00 PM	Fire Hall	Business Meeting	29	2	\$1085.16
11/05	6 :00 PM	North Oyster F.D.	Fire Prevention Meeting	1	3	\$62.61
11/08	9:00 AM	BC Hydro Duncan	Communication Meeting	2	3.5	\$73.05
11/12	10:00 AM	Cowichan Valley Inn	Emcon & MOT Meeting	1	4	\$83.48
11/12	7:00 PM	Fire Hall	Practice	16	2	\$602.38
11/13	9:00 AM	Fire Hall	VIERA Skill Evaluations	4	3	\$247.32
11/13	6:00 PM	Fire Hall	Truck Check	13	2	\$433.12
Nov 13-17		Mill Bay F.D	Live Fire I & II Training	2	36	\$1465.20
11/16	7:44 PM	3 North Shore Rd	Medical Aid	14	1	\$281.67
11/17	4:08 PM	72 Sahtlam Ave E	Medical Aid	20	1.5	\$413.32
11/18	7:00 PM	Fire Hall	Practice	25	2	\$967.64
11/19	7:55 PM	5643 HWY 18	Mutual Aid Sahtlam FD JAWS Call	24	2	\$924.44
11/20	3:14 PM	142 Neva Rd	Alarms Activated	12	1	\$241.39
11/20	7:06 AM	7600 HWY 18	MVI	14	1	\$280.63
11/21	5:36 AM	7279 HWY 18	MVI	17	1	\$343.66
11/22	8:00 AM	Cowichan Lake	Assist RCMP	2	8	\$325.60
11/24	6:01 PM	7307 Nantree Lane	Alarms Activated	17	1	\$301.50
11/25	7:00 PM	Fire Hall	Practice	24	2	\$930.06
			NFPA Test	1	8	\$152.80
			Officer/Member Duty Sheets	6	34.5	\$770.74
			Sec/Treasurer Stipend			\$150.00
P. 8		<b>Total</b>				<b>\$10156.64</b>





Lake Cowichan Fire Department

P.O. Box 31

Lake Cowichan, BC

V0R 2G0

(250)749-3522

## December 2019 Monthly Incident Report

4 Practices  
1 Business Meeting  
1 Truck Check  
2 MVI  
1 RCMP Assist  
1 Safety Crew for Duct work at Fire Hall  
1 Hazmat Operations Course  
2 Medical Aid  
1 Alarm Activated  
4 Officer/Member Duty Sheets  
1 Sec/Treasurer Monthly Stipend  
18 NFPA Tests

**Total**

**\$8264.83**



Lake Cowichan Fire Department  
P.O. Box 31  
Lake Cowichan, BC  
V0R 2G0  
(250)749-3522

Fire Stats December 2019

<u>Date</u>	<u>Time</u>	<u>Location</u>	<u>Incident</u>	<u>Personnel</u>	<u>Hours</u>	<u>Cost</u>
12/02	7:00 PM	Fire Hall	Business Meeting	25	2	\$922.36
12/05	11:26 PM	7800 HWY 18	MVI	13	1	\$244.51
12/06	6:35 AM	Skutz Falls	MVI	16	1	\$300.15
Dec 6-8		Duncan Fire Department	Hazmat Operations Course	1	27	\$535.41
12/09	7:00 PM	Fire Hall	Practice	18	2	\$680.24
12/11	6:00 PM	Fire Hall	Truck Check	13	2	\$433.12
12/16	7:00 PM	Fire Hall	Practice	21	2	\$762.48
12/17	8:30 AM	Fire Hall	Safety Crew for Duct Work	7	3.5	\$490.56
12/20	12:18 PM	#7-61 King George	Medical Aid	7	1	\$121.37
12/20	1:18 AM	56 North Shore Rd	RCMP Assist	15	1	\$322.06
12/21	4:41 PM	5 Cottonwood St	Medical Aid	17	1	\$342.93
12/23	7:00 PM	Fire Hall	Practice	34	2	\$1280.54
12/31	3:40 PM	15 North Shore Rd	Alarms Activated	19	1	\$362.45
12/30	7:00 PM	Fire Hall	Practice	9	2	\$359.64
			NFPA Tests	1	36	N/C
			Officer/Member Duty Sheets	3	20.5	957.01
			Sec/Treasurer Stipend			\$150.00
		<b>Total</b>				<b>\$8264.83</b>

A decorative border of stylized evergreen trees surrounds the text. The trees are arranged in a rectangular frame, with a single row of trees along the top and bottom edges, and vertical columns of trees along the left and right edges.

# **BC Forestry Facts**

**Young healthy trees sequester up to 25% more CARBON than  
old dying trees**

**54% of BC Crown Land is PROTECTED or RESTRICTED**

**Less than 1/3 of 1% of BC's Forests are harvested each year**

**BC's forest industry planted 211 MILLION TREES in 2019! 308  
million forecasted for 2020!!**

**For every tree harvested, industry plants three  
REFORESTATION is required by LAW**

**There are over 50,000 direct forestry JOBS in BC**

**\$2,889,700,000 in SALARIES and WAGES**

**Due to conservation measures, WE WILL NEVER HARVEST ALL  
OF BC's OLD GROWTH TIMBER**

## **Forestry Feeds Our Families**

**Time To Stand Up And Be Heard!**



# **BC Forestry Facts # 2**

The Great Bear Rainforest, 6.4 Million Hectares of Protected Coastal  
Temperate Rain Forest

Starting in 2020 changes to Canada's building codes, we will see mass  
Timber buildings 12 storey's tall

Each one of these buildings will potentially store up to 500,000 tons of  
carbon forever

There are 1,033 Parks and Protected area's in British Columbia totaling  
almost 14.1 Million Hectares

Forestry in BC \$32.96 Billion in output and represented \$12.94 Billion to  
the GDP

Log Exports support local jobs and increase the demand and value of  
these tree's

Forestry, the Life Line of BC's economy for over 100 years

## **Forestry Feeds Our Families**

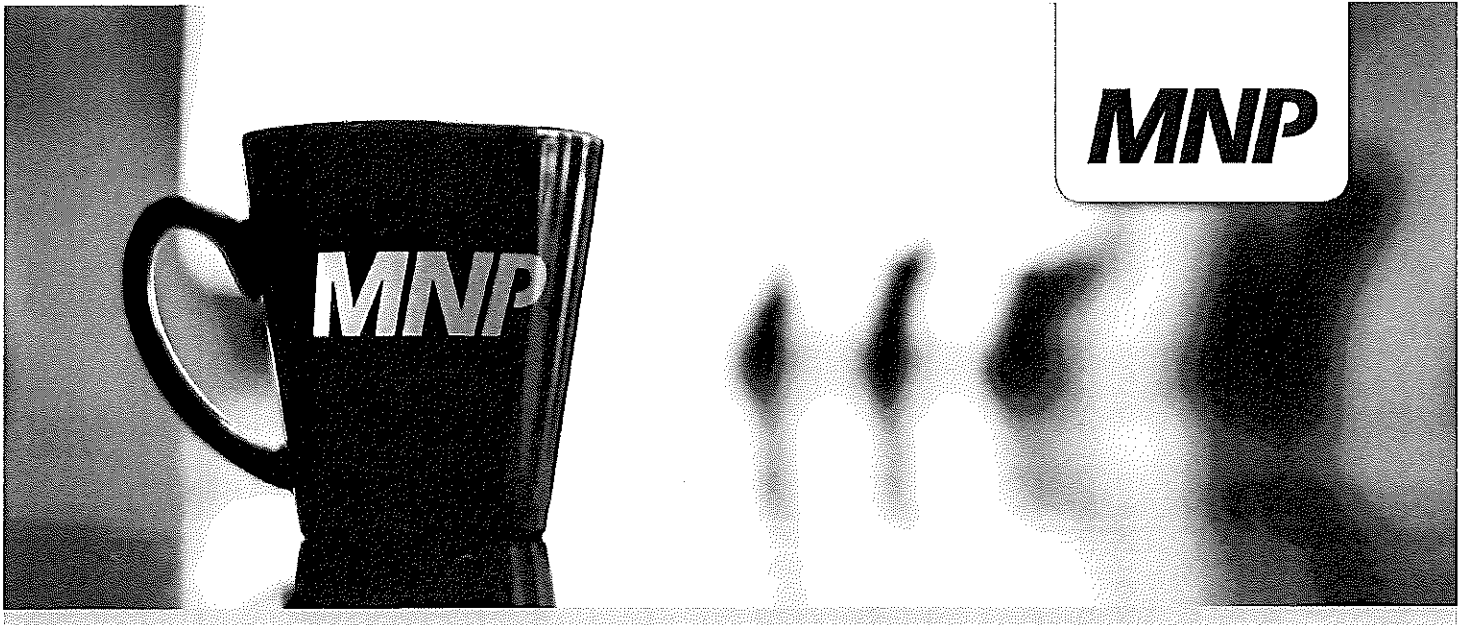
### **Time To Stand Up And Be Heard!**

# Saving the Working Forest for all Generations

Petition Summary: In its current state the forested land base in British Columbia consists of 1033 protected provincial parks. There are large portions of the land base set aside for social and cultural interests and environmental reasons. The forests of BC are a renewable resource and we ask that the remaining harvestable land base be protected as , THE WORKING FOREST, to be defined and dedicated to the purpose of harvesting and economic activities for the sustainable future of our Families, our Communities and the Province.

To the Honorable John Horgan Premier of British Columbia; we the undersigned are concerned citizens who urge our leaders to bring into legislation, THE WORKING FOREST, defined and dedicated to the purpose of harvesting and economic activities.

Date	Signature	Printed Name	Address



## Town of Lake Cowichan

2019 Audit Service Plan

Report to the Mayor and Council

December 31, 2019

Cory Vanderhorst, CPA, CA  
T: 250.753.8251  
E: Cory.Vanderhorst@mnp.ca



ACCOUNTING > CONSULTING > TAX

MNP.ca

Wherever business takes you. MNP

November 13, 2019

Members of the Mayor and Council of the Town of Lake Cowichan

Dear Mayor and Council:

We are pleased to present our Audit Service Plan for the Town of Lake Cowichan ("the Town"). In this plan we describe MNP's audit approach, our engagement team, the scope of our audit and a timeline of anticipated deliverables. We are providing this Audit Service Plan to the Mayor and Council on a confidential basis. It is intended solely for the use of the Mayor and Council and is not intended for any other purpose. Accordingly, we disclaim any responsibility to any other party who may rely on this report.

Our audit will include an audit of the Town's consolidated financial statements for the year ended December 31, 2019, prepared in accordance with Canadian public sector accounting standards. Our audit will be conducted in accordance with Canadian generally accepted auditing standards.

At MNP, our objective is to perform an efficient, high quality audit which focuses on those areas that are considered higher risk. We adhere to the highest level of integrity and professionalism. We are dedicated to maintaining open channels of communication throughout this engagement and will work with management to coordinate the effective performance of the engagement. Our goal is to exceed the Mayor and Council's expectations and ensure you receive outstanding service.

Additional materials provided along with this report includes our Engagement Letter. Our Engagement Letter is the formal written agreement of the terms of our audit engagement as negotiated with management and outlines our responsibilities under Canadian generally accepted auditing standards.

We look forward to discussing our Audit Service Plan with you and look forward to responding to any questions you may have.

Sincerely,

A handwritten signature in black ink that reads "MNP LLP". The letters are stylized and slanted to the right.

MNP LLP  
Chartered Professional Accountants



## CONTENTS

OVERVIEW.....	1
TOPICS FOR DISCUSSION.....	1
KEY CHANGES AND DEVELOPMENTS.....	
MNP'S AUDIT PROCESS.....	1
AUDIT MATERIALITY.....	1
RISK ASSESSMENT.....	2
OTHER MATTERS.....	3
TIMING OF THE AUDIT.....	3
AUDIT TEAM.....	3
FEEES AND ASSUMPTIONS.....	4
APPENDIX A - KEY CHANGES AND DEVELOPMENTS.....	5
APPENDIX B – THE AUDIT PROCESS.....	6
APPENDIX C – AUDITOR INDEPENDENCE.....	9



## AUDIT SERVICE PLAN OVERVIEW

To make strategic business decisions with confidence, your stakeholders and the Mayor and Council of the Town need relevant, reliable and independently audited financial information. But that's not all. You need an audit team that can deliver insight beyond the numbers and enhance the Town's strategic planning and implementation processes so you can embrace new opportunities while effectively managing risk. Our audit strategy is risk based, and considers the limitations and opportunities you encounter each day, allowing our recommendations to be implemented with greater ease. Committed to your success, MNP delivers meaningful, reliable financial information to not only help you fulfill your compliance obligations, but also to achieve your key strategic goals.

Our Audit Service Plan outlines the strategy we will follow to provide the Town's Mayor and Council with our Independent Auditor's Report on the December 31, 2019 financial statements.

## TOPICS FOR DISCUSSION

We are committed to providing superior client service by maintaining effective two-way communication. Topics for discussion include, but are not limited to:

- Changes to your business operations and developments in the financial reporting and regulatory environment
- Business plans and strategies
- Any other issues and/or concerns
- Fraud, including how fraud could occur, the risk of fraud and misstatement, and any actual, suspected or alleged fraud
- The management oversight process
- Your specific needs and expectations

## THE MNP AUDIT APPROACH

The Mayor and Council are responsible for approval of the consolidated financial statements and Town policies, and for monitoring management's performance. The Mayor and Council should consider the potential for management override of controls or other inappropriate influences, such as earnings management, over the financial reporting process. The Mayor and Council, together with management, is also responsible for the integrity of the accounting and financial reporting systems, including controls to prevent and detect fraud and misstatement, and to monitor compliance with relevant laws and regulations.

Effective discharge of these respective responsibilities is directed toward a common duty to provide appropriate and adequate financial accountability, and quality financial disclosure.

## AUDIT MATERIALITY

Materiality is an important audit concept. It is used to assess the significance of misstatements or omissions that are identified during the audit and is used to determine the level of audit testing that is carried out. Specifically, a misstatement or the aggregate of all misstatements in consolidated financial statements as a whole (and, if applicable, for particular classes of transactions, account balances or disclosures) is considered to be material if it is probable that the decision of the party relying on the consolidated financial statements, who has reasonable understanding of business and economic activities, will be changed or influenced by such a misstatement or the aggregate of all misstatements.

The scope of our audit work is tailored to reflect the relative size of operations of the Town and our assessment of the potential for material misstatements in the Town's consolidated financial statements as a whole (and, if applicable, for particular classes of transactions, account balances or disclosures). In determining the scope, we emphasize relative audit risk and materiality, and consider a number of factors, including:

- The size, complexity, and growth of the Town;
- Changes within the organization, management or accounting systems; and
- Concerns expressed by management.

The scope of our audit work is tailored to reflect the relative size of operations of the Town and our assessment of the potential for material misstatements in the Town's consolidated financial statements as a whole

Judgment is applied separately to the determination of materiality in the audit of each set of consolidated financial statements (and, if applicable, for particular classes of transactions, account balances or disclosures) and is affected by our perception of the financial information needs of users of the consolidated financial statements. In this context, it is reasonable to assume that users understand that consolidated financial statements are prepared, presented and audited to levels of materiality; recognize uncertainties inherent in the measurement of amounts based on the use of estimates, judgment and consideration of future events; and make reasonable economic decisions based on the consolidated financial statements. The foregoing factors are taken into account in establishing the materiality level.

We propose to use \$375,000 as overall materiality for audit planning purposes.

## **RISK ASSESSMENT**

Our audit process focuses on significant risks identified during the pre-planning and planning and risk assessment stage, ensuring that audit procedures are **tailored to your specific circumstances** and appropriately address those risks.

#### TIMING OF THE AUDIT

KEY DELIVERABLE	EXPECTED DATE
Delivery of December 31, 2019 Audit Service Plan to the Board of Directors	November 2019
Year-end fieldwork procedures	April 2020
Draft year-end financial statements to be discussed with management	April 2020
Presentation of December 31, 2019 Audit Findings Report to the Mayor and Council	May 2020
Issuance of Independent Auditor's Report	May 2020

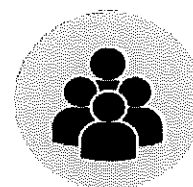
#### AUDIT TEAM

In order to ensure effective communication between the Mayor and Council and MNP, we outline below the key members of our audit team that will be responsible for the audit of the Regional Library and the role they will play:

TEAM MEMBERS	CONTACT INFORMATION
Cory Vanderhorst, CPA, CA, Engagement Partner	E: Cory.Vanderhorst@mnp.ca
Graham Roberts, CPA, CA, Senior Manager	E: Graham.Roberts@mnp.ca
Amanda Hentschel, CPA, Audit Senior	E: Amanda.Hentschel@mnp.ca
James Kungel, CPA, CA, Tax Specialist	E: James.Kungel@mnp.ca

In order to serve you better and meet our professional responsibilities, we may find it necessary to expand our audit team to include other MNP professionals whose consultation will assist us to evaluate and resolve complex, difficult and/or contentious matters identified during the course of our audit.

Any changes to the audit team will be discussed with you to ensure a seamless process and that all concerned parties' needs are met.



## FEES AND ASSUMPTIONS

DESCRIPTION	2019 ESTIMATE	2018 ACTUAL
Base audit fee as per our fee quote	\$ 17,000	\$ 16,200
Disbursements	\$ 850	\$ 810
Total	\$ 17,850	\$ 17,010

If any significant issues arise during the course of our audit work which indicate a possibility of increased procedures or a change in the audit timetable, these will be discussed with management by the engagement partner, so a mutually agreeable solution can be reached.

Invoices will be rendered as work progresses in accordance with the following schedule:

DESCRIPTION	AMOUNT
On delivery of the audit service plan 50% of the estimated fee	\$ 8,500
At the start of year-end field work, 25% of the estimated fee	\$ 4,250
Upon the delivery of the final consolidated financial statements and independent auditors' report, 25% of the estimated fee	\$ 4,250

## APPENDIX A – KEY CHANGES AND DEVELOPMENTS

We would like to bring to your attention the following accounting and auditing developments, which may have some impact on your financial reporting.

### ISSUES AND DEVELOPMENTS SUMMARY

#### NEW REPORTING DEVELOPMENTS

##### PS 3280 Asset Retirement Obligations (New)

In August 2018, new PS 3280 *Assets Retirement Obligations* was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new PS 3280 establishes standards on how to account for and report a liability for asset retirement obligations (ARO). As asset retirement obligations associated with landfills are included in the scope of new PS 3280, PS 3270 *Solid Waste Landfill Closure and Post-Closure Liability* will be withdrawn.

The main features of this standard are as follows:

- An ARO represents a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner.
- When an asset is no longer in productive use, the associated asset retirement costs are expensed.
- Measurement of the ARO liability should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date.
- Subsequent measurement of the ARO liability results in either a change in the carrying amount of the related tangible capital asset or an expense. The accounting treatment depends on the nature of the remeasurement and whether the asset remains in productive use.
- The best method to estimate the liability is often a present value technique.

This standard is effective for fiscal years beginning on or after April 1, 2021. Early adoption is permitted.

##### PS 3450 Financial Instruments (New and Amendment)

In June 2011, the Public Sector Accounting Board (PSAB) issued new PS 3450 *Financial Instruments*. The new standard establishes requirements for recognition, measurement, derecognition, presentation and disclosure of financial assets and financial liabilities, including derivatives. The main features of the new standard are:

- Financial instruments are classified into two measurement categories: fair value, or cost or amortized cost.
  - Almost all derivatives, including embedded derivatives not closely related to the host contract, are measured at fair value.
  - Portfolio investments in equity instruments quoted in an active market are measured at fair value.
  - Other financial assets and financial liabilities are generally measured at cost or amortized cost.
  - An entity may elect to measure any group of financial assets or financial liabilities (or both) at fair value when the entity has a risk management or investment strategy to manage those items on a fair value basis.
- Remeasurement gains and losses on financial instruments measured at fair value are reported in the statement of remeasurement gains and losses until the financial instrument is derecognized.
- Budget to actual comparisons are not required within the statement of remeasurement gains and losses;
- Financial liabilities are derecognized when, and only when, they are extinguished.
- Financial assets and financial liabilities are only offset and reported on a net basis if a legally enforceable right to set off the recognized amounts exists, and the entity intends to settle on a net basis or realize/settle the amounts simultaneously.

In May 2012, the transitional provisions for this Section were amended, effective at the time the standard is initially applied, to clarify that the measurement provisions are applied prospectively. Adjustments to previous carrying amounts are recognized in opening accumulated remeasurement gains or losses. Additionally, a new transitional provision has been added that applies to government organizations transitioning from the standards in Part V of the CPA Canada Handbook – Accounting with items classified as available for sale. Accumulated other comprehensive income (OCI) from items classified as available for sale is recognized in accumulated remeasurement gains or losses on transition.

PS 3450 was to be effective for fiscal years beginning on or after April 1, 2019. In March 2018, the Public Sector Accounting Board (PSAB) approved an extension of the effective date to fiscal years beginning on or after April 1, 2021. In the period that a public sector entity applies PS 3450, it also applies PS 1201, PS 2601 and PS 3041. Early adoption is permitted.

## **APPENDIX B – THE AUDIT PROCESS**

### **OUR PLAN**

Our overall audit strategy is risk-based and controls-oriented. Assessment and identification of risk is performed continuously throughout the audit process. We focus on the risks that have a potential impact on the financial accounting systems and subsequent financial reporting.

Our overall audit strategy does not, and is not intended to involve the authentication of documents, nor are our team members trained or expected to be experts in such authentication. Unless we have reason to believe otherwise, we accept records and documents as genuine. The subsequent discovery of a material misstatement resulting from fraud does not, in and of itself, indicate a failure to comply with Canadian generally accepted auditing standards.

### **AUDIT PROCEDURES**


To meet our responsibilities in accordance with Canadian generally accepted auditing standards, our audit examination includes:

- Obtaining an understanding of the entity and its environment, including its controls, in order to identify and assess the risk that the consolidated financial statements contain material misstatements due to fraud or misstatement;
- Assessing the adequacy of and examining, on a test basis, the key controls over significant transaction streams and over the general organizational and computer environments;
- Assessing the systems used to ensure compliance with applicable legislative and related authorities pertaining to financial reporting, revenue raising, borrowing, and investing activities;
- Examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessing the appropriateness and consistency of accounting principles used and their application;
- Assessing the significant estimates used by management; and,
- Assessing the entity's use of the going concern basis of accounting in the preparation of the consolidated financial statements.

As part of our planning process, we will also undertake to inform the Mayor and Council of concerns relating to management's implementation and maintenance of controls, and the effects of any such concerns on the overall strategy and scope of the audit. These concerns might arise from the nature, extent and frequency of management's assessments of controls in place to detect fraud and misstatement, and of the risk that the consolidated financial statements may be misstated; from a failure by management to appropriately address significant deficiencies in controls identified in prior audits; and, from our evaluation of the Town's control environment, and management's competence and integrity.

## APPENDIX B – THE AUDIT PROCESS (continued from previous page)

### OVERALL RELIANCE

CONTROL RELIANCE LEVEL	LOW/NONE	MODERATE	HIGH
DESCRIPTION	Where we cannot rely on controls because they are weak or absent, or where it is deemed to be more efficient to carry out a high level of direct substantive tests of transactions and balances. Audit evidence is primarily obtained through detailed verification procedures and sufficient substantive tests of details and transactions.	Where there are some deficiencies in systems application or procedural controls, or where it is deemed to be inefficient to test systems application controls, but where we can test and rely on the management monitoring systems in place to detect and correct material misstatements in the financial reporting systems. Testing of controls is supplemented with a moderate level of substantive tests of details and transactions.	Where a high degree of control is in place in the areas of management monitoring controls AND systems application and procedural controls. Our audit work focuses on testing both management monitoring and systems application and procedural controls, and is supplemented with a low level of substantive tests of details and transactions.
PLANNED RELIANCE		—	—

For the December 31, 2019 audit, we are planning to place low reliance on the Town's accounting systems. This level of reliance is consistent with the prior year, and will involve mainly substantive tests of transactions and balances.

The amount of substantive work will be reduced for cycles where there are controls in place that MNP can test and rely on.

As part of our audit work we will update our understanding of the entity and its environment, including the controls relevant to our audit of the principal transaction cycles, sufficient to identify and assess the risks of material misstatement of the consolidated financial statements resulting from fraud or misstatement. This will be accomplished through inquiries with management and others within the entity, analytical procedures and observation and inspection. Furthermore, we will consider whether effective controls have been established to adequately respond to the risks arising from the use of IT or manual systems and test the operation of those controls to an extent sufficient to enable us to reduce our substantive work. Our review of the Town's controls will not be sufficient to express an opinion as to their effectiveness or efficiency.



Although we will provide the Mayor and Council with any information about significant deficiencies in internal control that have come to our attention, we may not be aware of all the significant deficiencies in internal control that do, in fact, exist.

## **APPENDIX B – THE AUDIT PROCESS (continued from previous page)**

### **INHERENT LIMITATIONS IN THE AUDITING PROCESS**

An auditor cannot obtain absolute assurance that material misstatements in the consolidated financial statements will be detected due to factors such as the use of significant judgment regarding the gathering of evidence and the drawing of conclusions based on the audit evidence acquired; the use of testing of the data underlying the consolidated financial statements; inherent limitations of controls; and, the fact that much of the audit evidence available to the auditor is persuasive, rather than conclusive in nature.

Because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material fraud. While effective controls reduce the likelihood that misstatements will occur and remain undetected, they do not eliminate that possibility. Therefore, the auditor cannot guarantee that fraud, misstatements and non-compliance with laws and regulations, if present, will be detected when conducting an audit in accordance with Canadian generally accepted auditing standards.

The likelihood of not detecting material misstatements resulting from management fraud is greater than for employee fraud, because management is in a position to manipulate records, present fraudulent information or override controls.

We will inform the appropriate level of management or the Mayor and Council with respect to identified:

- Misstatements resulting from errors, other than clearly trivial misstatements;
- Fraud, or any information obtained that indicates that fraud may exist;
- Evidence obtained that indicates non-compliance or possible non-compliance with laws and regulations, other than that considered inconsequential;
- Significant deficiencies in the design or implementation of controls to prevent and detect fraud or misstatement; and
- Related party transactions that are not in the normal course of operations and that involve significant judgments made by management concerning measurement or disclosure.

Our concern as auditors is with material misstatements, and thus, we are not responsible for the detection of misstatements that are not material to the consolidated financial statements taken as a whole.



## APPENDIX C – AUDITOR INDEPENDENCE

### AUDITOR INDEPENDENCE

An essential aspect of all our services to the Town is an independent viewpoint, which recognizes that our responsibilities are to the shareholders. While the concept of independence demands a questioning and objective attitude in conducting our audit, it also requires the absence of financial or other interests in the Town. In accordance with our firm's policy, and the Code of Professional Conduct, which govern our profession, neither MNP nor any of its team members assigned to the engagement or any of its partners, are permitted to have any involvement in or relationship with the Town that would impair independence or give that appearance. As auditors, we subscribe to the highest standards and are required to discuss the auditor's independence with the Mayor and Council on an annual basis. Under the standard an auditor shall:

- Disclose to, the Mayor and Council in writing, all relationships between the auditor and the Town that in the auditor's professional judgment may reasonably be thought to bear on our independence;
- Discuss the auditor's independence with the Mayor and Council.

During the course of the audit, we will communicate any significant new matters that come to our attention that, in our professional judgment, may reasonably be thought to bear on our independence.

