

Village of Belcarra

Audit Findings Report
for the year ended
December 31, 2019

KPMG LLP

DATED APRIL 1, 2020 FOR DISCUSSION AT
THE COUNCIL MEETING ON APRIL 6, 2020

kpmg.ca/audit

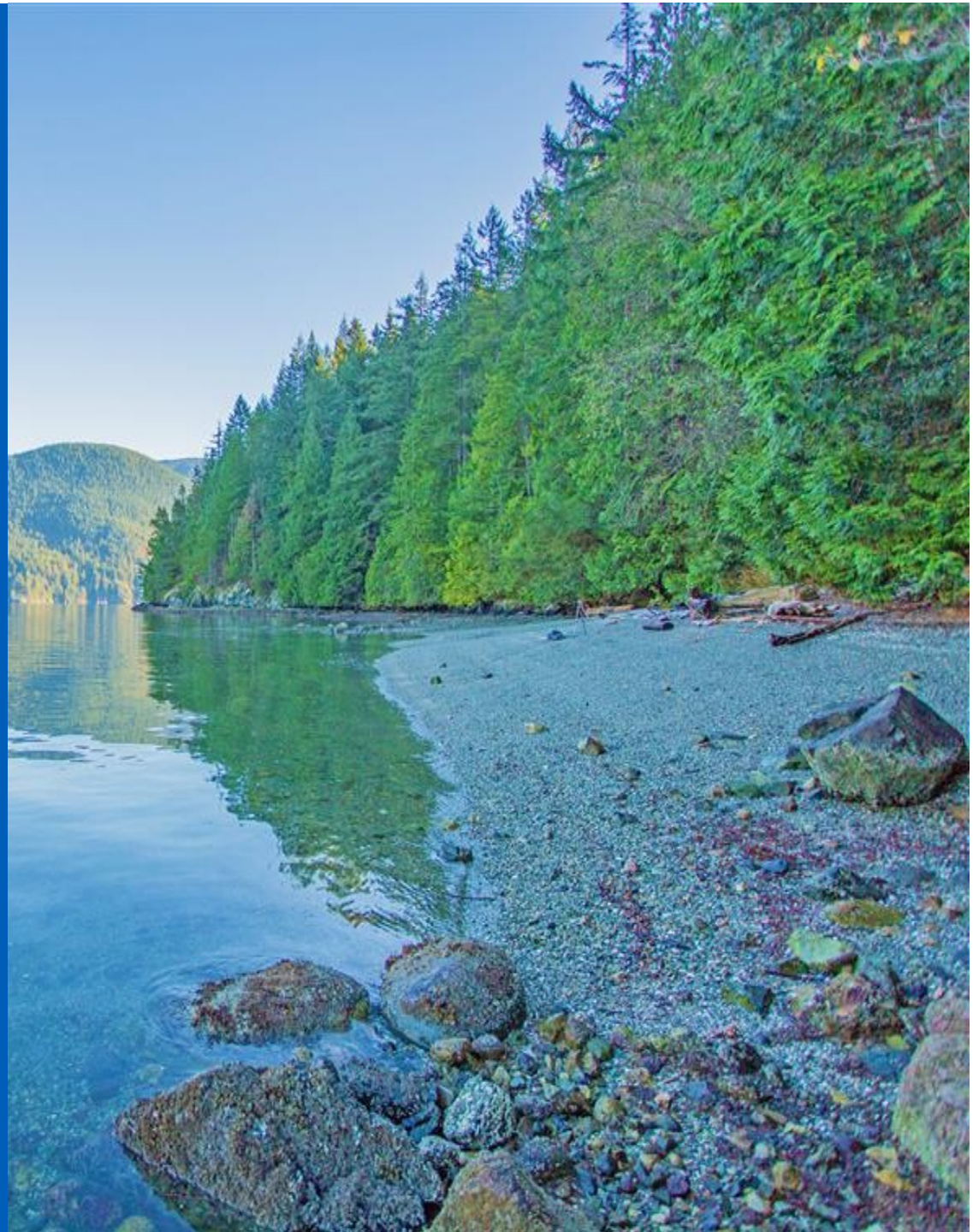


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At KPMG, we are **passionate** about earning your **trust**. We take deep **personal accountability**, individually and as a team, to deliver **exceptional service and value** in all our dealings with you.

At the end of the day, we measure our success from the **only perspective that matters – yours**.



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Executive summary



Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of Council, in your review of the results of our audit of the financial statements of the Village of Belcarra (the “Village”) as at and for the year ended December 31, 2019.

This Audit Findings Report builds on the Audit Planning Report dated January 3, 2020 that was previously communicated to you.



Changes from the Audit Plan

There have been no significant changes regarding our audit plan from the Audit Planning Report previously presented to you.

In addition to the planned audit procedures, we also considered the impact of COVID-19 on the financial statements. See page 4 for further details.



Finalizing the audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with Council;
- Obtaining the signed management representation letter;
- Obtaining evidence of Council's acceptance of the financial statements; and,
- Completing subsequent event review procedures up to the date of Council's acceptance of the financial statements.

We will update Council on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.



Executive summary (continued)



Areas of audit focus

Our audit is risk-focused. We have not identified any significant risks. However, as part of our audit, we identified areas of audit focus which include:

- Subsequent event – impact of COVID-19 on the financial statements and operations
- Tangible capital assets
- Payroll and other operating costs
- Legal claim

We are satisfied that our audit work has appropriately dealt with these areas of focus.

See page 4 to 6 for more details.



Adjustments and differences

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

We identified one adjustment that was communicated to management and subsequently corrected in the financial statements.

We did not identify differences that remain uncorrected in the financial statements.

See Appendix 3.



Executive summary (continued)



Significant accounting policies and practices

There was no financial reporting impact of the new accounting standard PS 3430 *Restructuring Transactions* effective for the Village's 2019 fiscal year. There have been no other initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

The presentation and disclosure of the financial statements are, in all material respects, in accordance with Canadian public sector accounting standards. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.



Control and other observations

In accordance with professional standards, we are required to communicate to the Council any control deficiencies that we determined, individually or in the aggregate, to be significant.

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. We have provided our observations and recommendations on other control deficiencies.

See page 8 and Appendix 4 for more details.



Independence

We confirm that we are independent with respect to the Village within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2019 up to the date of this report.



Current developments

There have been no significant updates to the current developments included in our Audit Plan previously provided to Council.



Areas of audit focus and results

We highlight our findings in respect of areas of audit focus as identified in our Audit Planning Report. In addition to the planned audit procedures, we also considered the impact of COVID-19 on the financial statements.

Area of audit focus	Background
Subsequent events - impact of COVID-19 on the financial statements and operations.	Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant impact on the economy, governments, businesses, and communities. As such enhanced subsequent events procedures are warranted.

Our audit approach

There are two types of subsequent events, with the accounting treatment dependent on the categorization as follows:

- Events that provide future evidence of conditions that existed at the financial statement date. For these conditions, the financial statements should be adjusted for measurable impact to the assets, liabilities, revenues and expenditures.
- Events that are indicative of conditions that rose subsequent to the financial statement date. For these conditions, disclosures, at a minimum, should include a description of the event and an estimate of the financial impact, when practicable or a statement that an estimate cannot be made.

The COVID-19 outbreak is considered to be the second type for organizations with a December 31 year-end. Note 17 of the financial statements includes disclosure describing the nature of the event, and that an estimate of the financial impact of the outbreak cannot be made at this time.

We inquired with management about the impact of COVID-19 on the Village and its operations. Management does not anticipate short-term cash flow issues as a result of reserves held.

See page 9 for further details on COVID-19 resources.

Areas of audit focus and results (continued)

Area of focus	Why?	Our response and significant findings
Tangible capital assets	Tangible capital assets represent a significant portion of assets for the Village.	<ul style="list-style-type: none"> – We performed substantive testing over all additions during the year. – We performed a reasonability assessment of amortization expense recorded. – We performed analytical procedures to understand the change in tangible capital assets relative to the prior year. We corroborated all significant variances noted by reviewing supporting documentation. – We proposed an adjustment that was corrected by management to record certain tangible capital asset additions as expenses as these items/amounts should not be capitalized under the accounting standards.
Payroll and other operating costs	The Village incurs payroll and other operating costs which are significant expenses of the Village's operations.	<ul style="list-style-type: none"> – We updated our understanding of the processes and controls over the payroll and procurement process, including consideration of the impact of a new financial consultant during the year. – We performed analytical procedures to understand the change in payroll and other operating expenses relative to the prior year. We corroborated all significant variances noted by reviewing supporting documentation.
Legal claim	The Village was named as a defendant in a claim in December 2017.	<ul style="list-style-type: none"> – We discussed legal claims with management as well as reviewed legal invoices and Council meeting minutes. – We obtain written confirmation from the Village's external legal counsel and noted that the claim is insured with the Municipal Insurance Association of British Columbia ("MIA") and the Village's exposure is limited to the deductible amount of \$2,500. – Management and the Village's external legal counsel have determined that the outcome of this claim cannot be reasonably determined. As the Village's exposure is limited to the deductible amount with the MIA, no further provision has been recorded by management.



Areas of audit focus and results (continued)

Professional requirements	Why is it significant?
Fraud risk from management override of controls.	This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

Our audit approach
<p>Our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:</p> <ul style="list-style-type: none">– Testing of journal entries and other adjustments;– Performing a retrospective review of significant estimates; and– Evaluating the business rationale of significant unusual transactions. <p>There were no issues noted in our testing.</p>

Significant accounting policies and practices

The following items relate to the qualitative aspects of accounting practices of the Village:



Significant accounting policies

- There were no changes to the critical accounting policies and practices.
- Section 3430 Restructuring Transactions is effective for the Village's 2019 fiscal year. There was no impact on the financial statements from the adoption of the new accounting standard.
- There were no other changes in significant accounting policies.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the Village's transactions in relation to the period in which they are recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.



Significant accounting estimates

- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.
- There were no significant factors affecting the Village's asset and liability carrying values.



Significant disclosures

- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.
- There was a subsequent events note disclosure describing the nature and impact of COVID-19 included in the financial statements.



Control and other observations



In accordance with professional standards, we are required to communicate to the Council any control deficiencies that we identified during the audit and have determined to be material weaknesses or significant deficiencies in ICFR.

As your auditors, we are required to obtain an understanding of internal control over financial reporting (“ICFR”) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described in the preceding paragraph and was not designed to identify all control deficiencies that might be significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing and extent of audit procedures performed, as well as other factors.

In accordance with professional standards, we are required to communicate to the Council any control deficiencies that we identified during the audit and have determined to be material weaknesses or significant deficiencies in internal control over financial reporting. No significant deficiencies in ICFR have been identified.

However, we have identified areas where opportunities exist for improvements to processes and provided recommendations in our Management Letter attached as Appendix 4.

Additionally, typical of organizations your size, we draw to the Council's attention the fact that, due to the limited number of employees at the Village, the weaknesses arising from a lack of segregation of duties is difficult to avoid. As a result, constant diligence and review of financial information by the Council is necessary.

Resources in Response to COVID-19 Pandemic

Summary	Link
<p>Please visit our COVID-19 website for resources regarding the topics below. This site is being <u>updated daily</u> based on information being released by Federal, Provincial and Municipal news releases.</p> <ul style="list-style-type: none">— Business continuity guide— Immediate actions to take— Medium to long-term actions— Tax considerations and a summary of Federal and Provincial programs— Legal considerations— Financial reporting and audit considerations— Global perspectives	COVID-19 Alerts (Live Link)



British Columbia Municipality TCA Data

As part of the audit, there are certain key ratios and trends that we look at to assess audit risk and likelihood of error and/or misstatement. We share these ratios with the Council and management and welcome any questions. The underlying data used in preparing the key ratios and trends noted below was obtained from the 2018 annual reports made publicly available by municipalities.

See following pages for results.

We note that there has not been a significant change in respect of the Village's ratios and trends. As the Village continues to make principal repayments on its debt and acquire tangible capital assets, its ratio of debt to tangible capital asset per capital will continue to decrease.



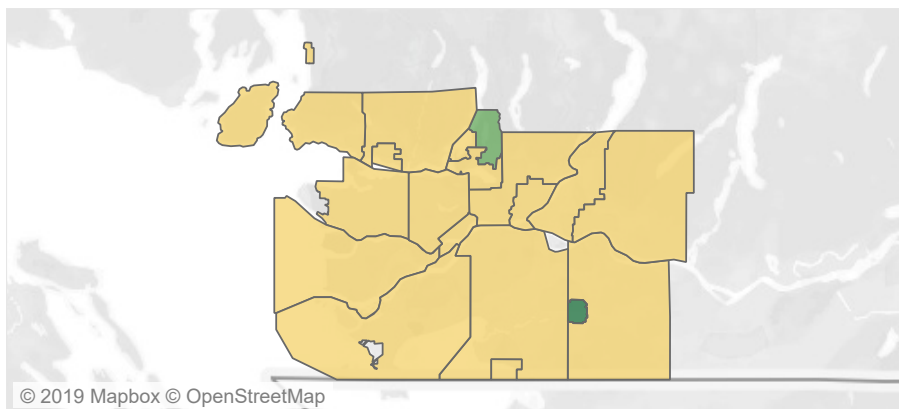
British Columbia Municipality TCA Benchmarking



Regional District
Metro Vancouver

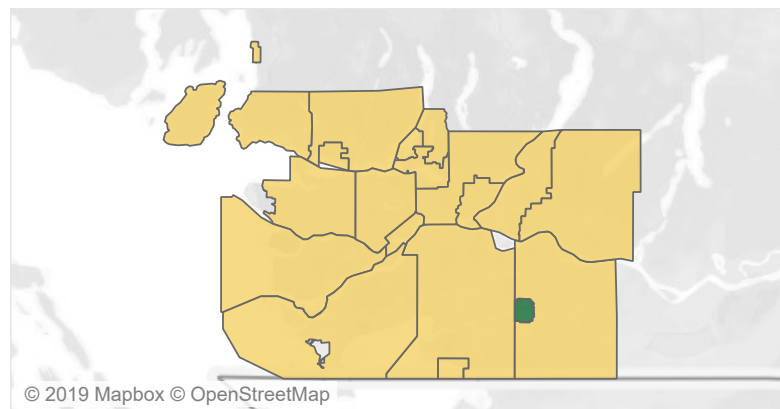
Population Range
All

Tangible Capital Assets per Capita



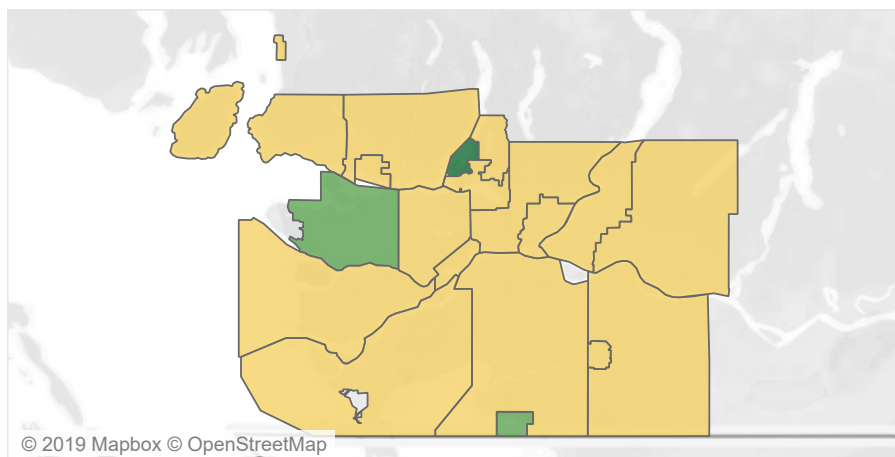
2,199 61,608

Additions per Capita



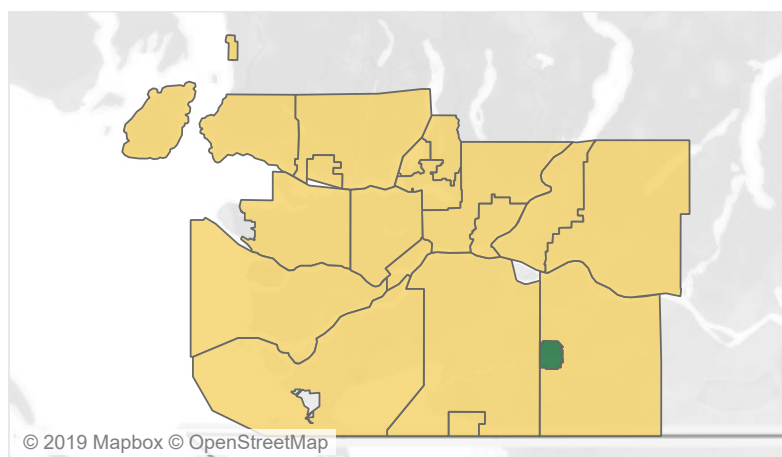
115 8,790

Debt to Tangible Capital Assets



0.0000 0.3301

Amortization per Capita



48 1,363

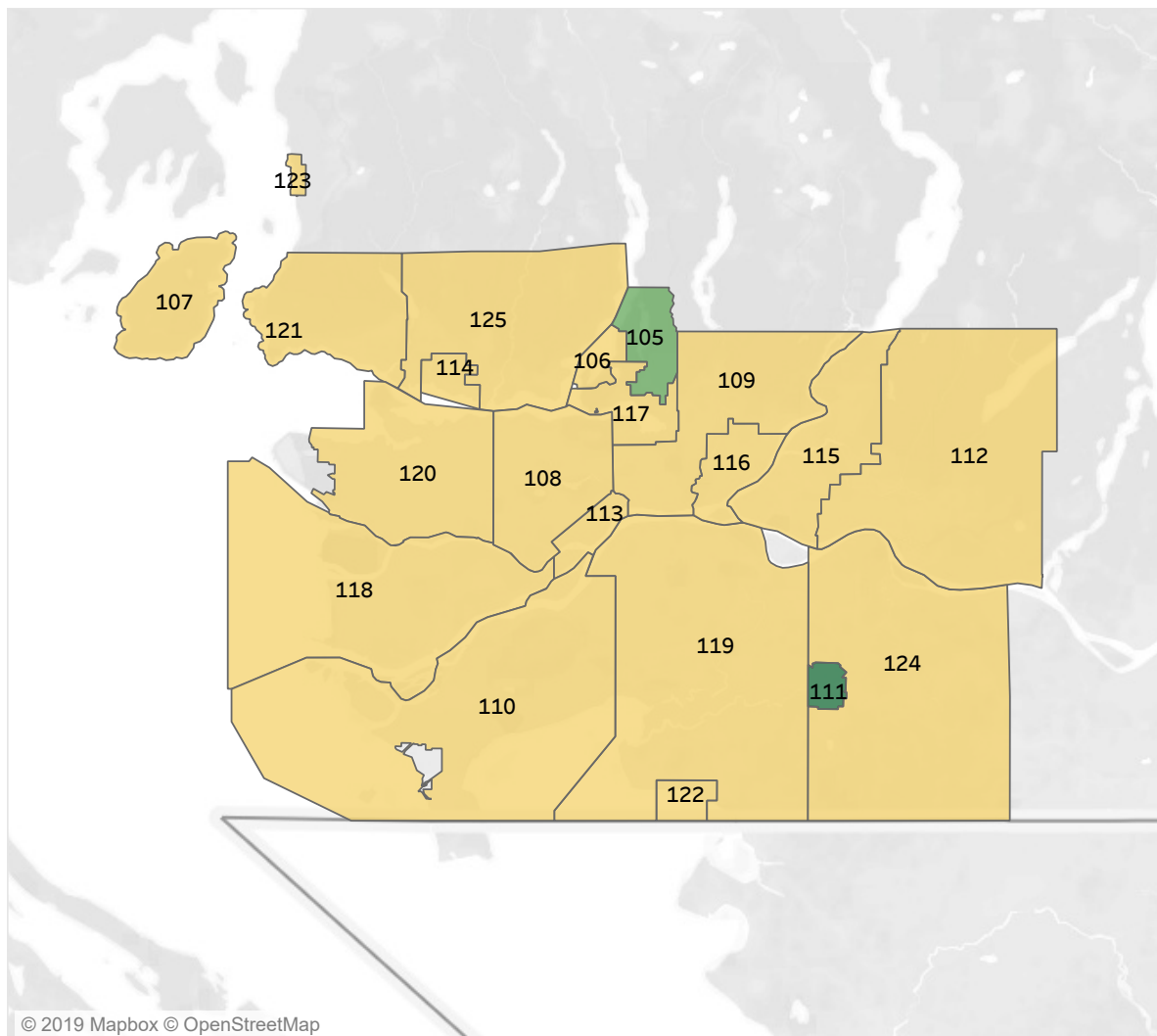
British Columbia Municipality TCA Benchmarking



Tangible Capital Assets per Capita

Regional District
Metro Vancouver

Population Range
All



Municipality

105	Village of Anmore
106	Village of Belcarra
107	Bowen Island Municipality
108	City of Burnaby
109	City of Coquitlam
110	City of Delta
111	City of Langley
112	City of Maple Ridge
113	City of New Westminster
114	City of North Vancouver
115	City of Pitt Meadows
116	City of Port Coquitlam
117	City of Port Moody
118	City of Richmond
119	City of Surrey
120	City of Vancouver
121	District Municipality of West Vancouver
122	City of White Rock
123	Village of Lions Bay
124	Township of Langley
125	The Corporation of the District of North Vancouver

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2,199  61,608

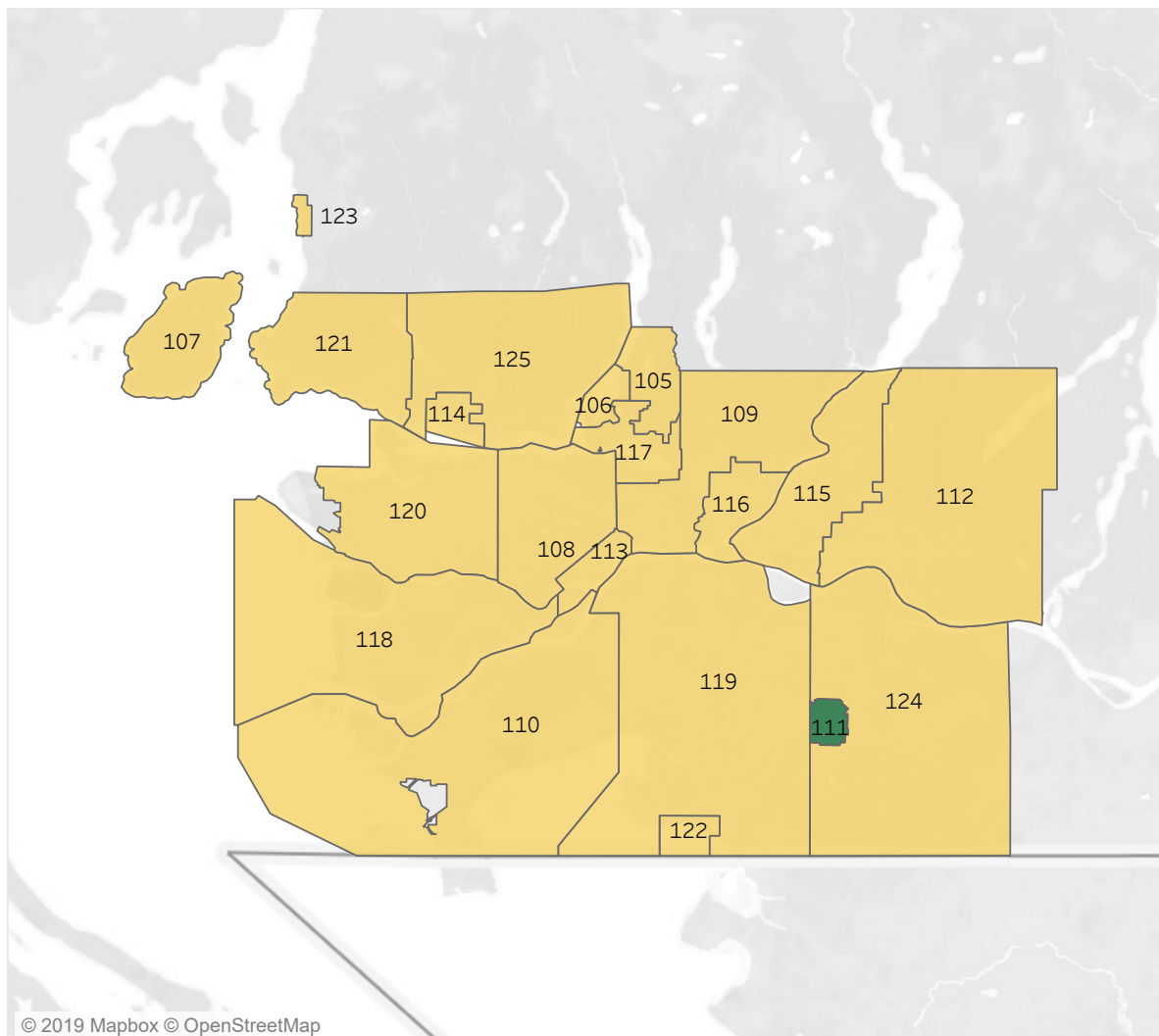
British Columbia Municipality TCA Benchmarking



Additions per Capita

Regional District
Metro Vancouver

Population Range
All



Municipality

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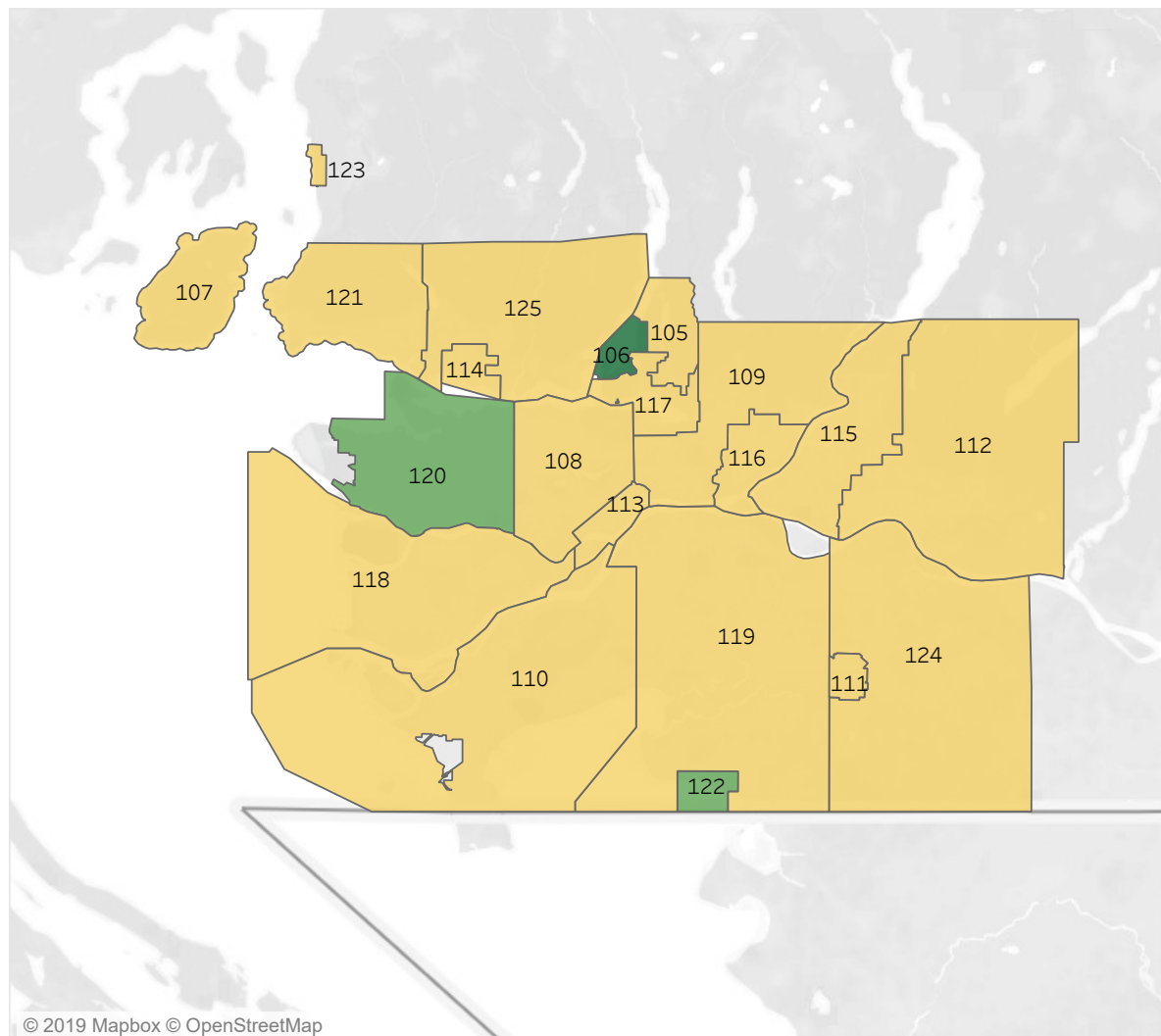
British Columbia Municipality TCA Benchmarking



Debt to Tangible Capital Assets

Regional District
Metro Vancouver

Population Range
All



Municipality

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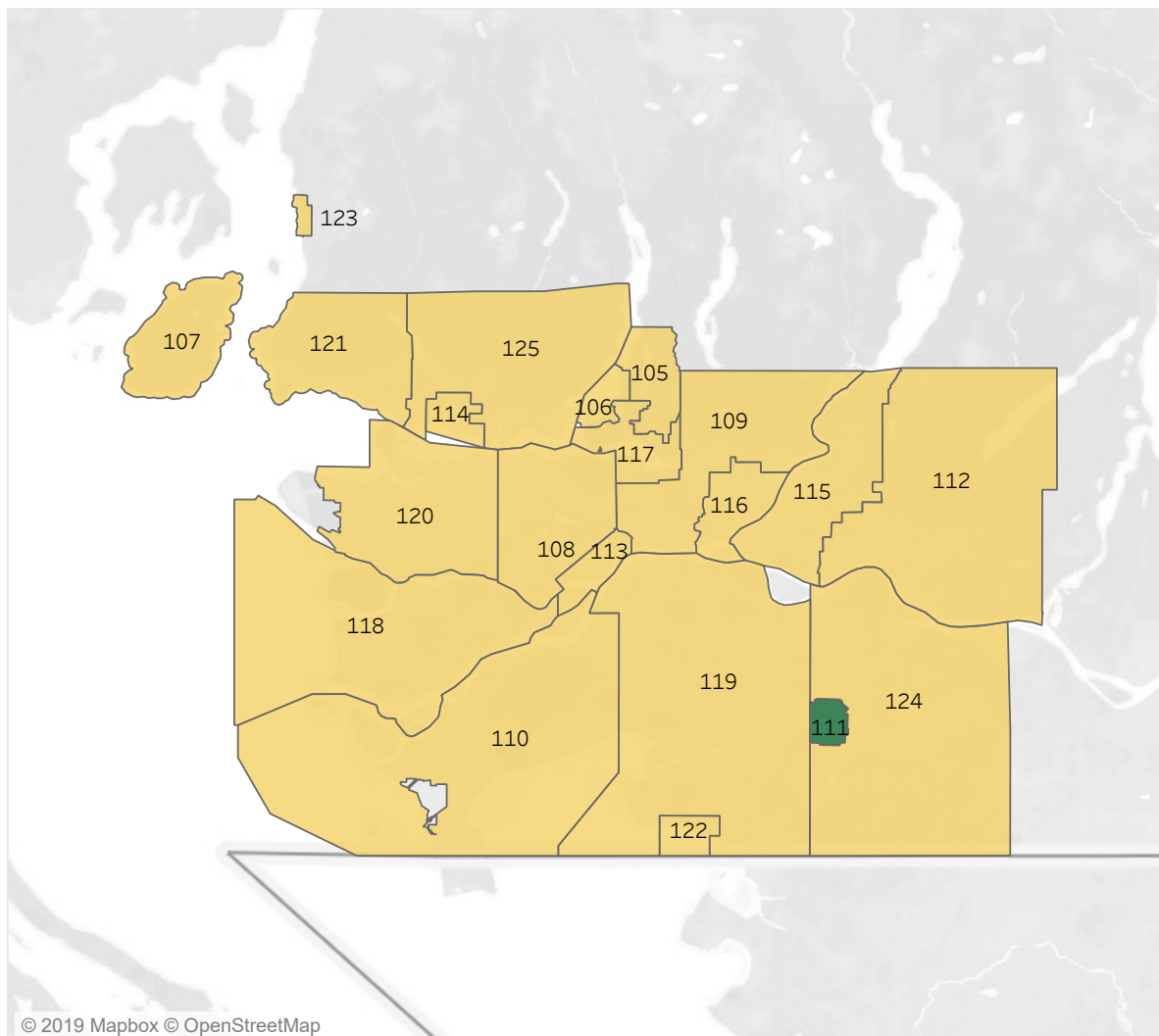
British Columbia Municipality TCA Benchmarking



Amortization per Capita

Regional District
Metro Vancouver

Population Range
All



Municipality

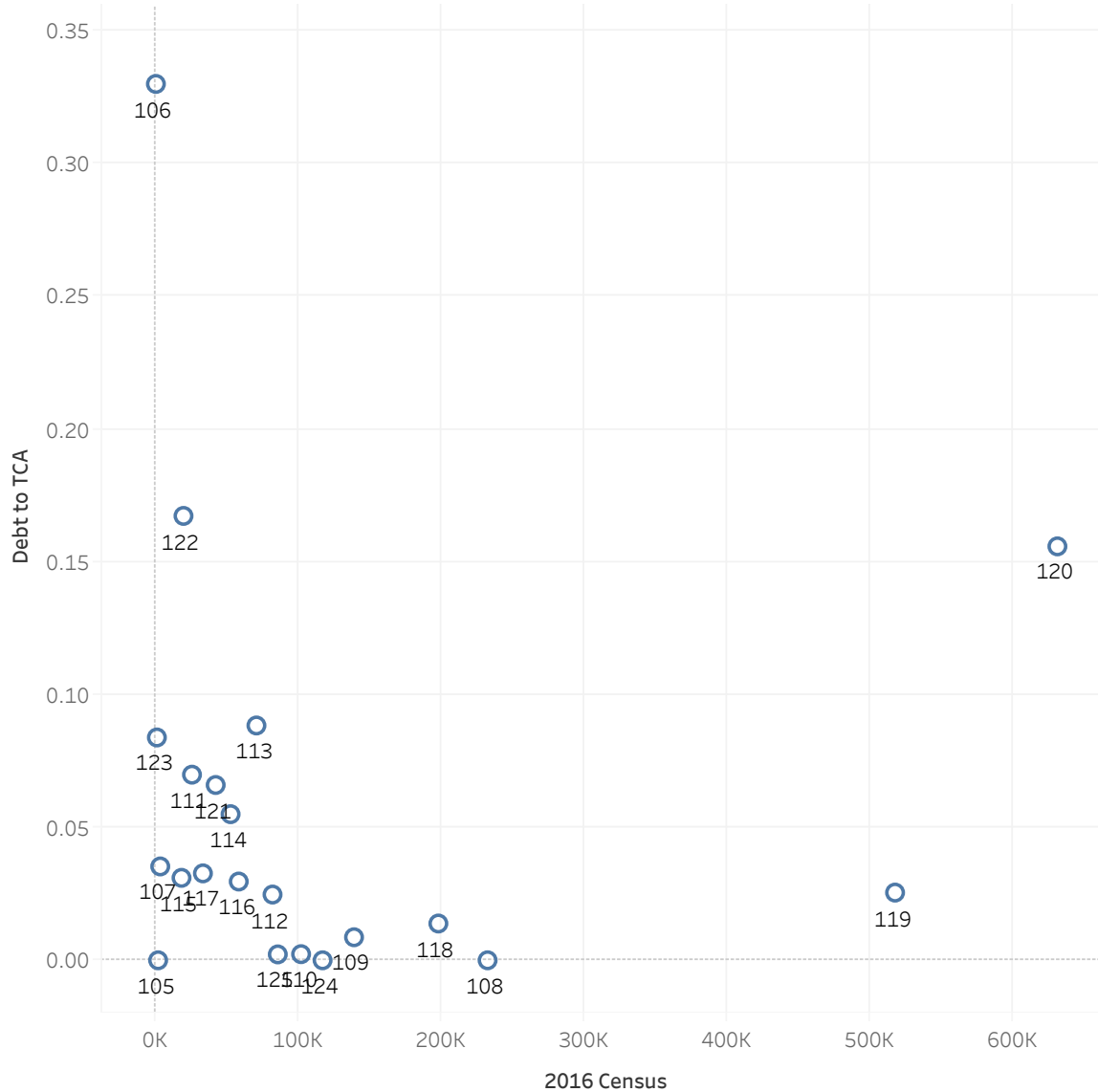
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48  1,363

British Columbia Municipality TCA Benchmarking



Debt to Tangible Capital Assets per Capita



Regional District

Metro Vancouver

Population Range

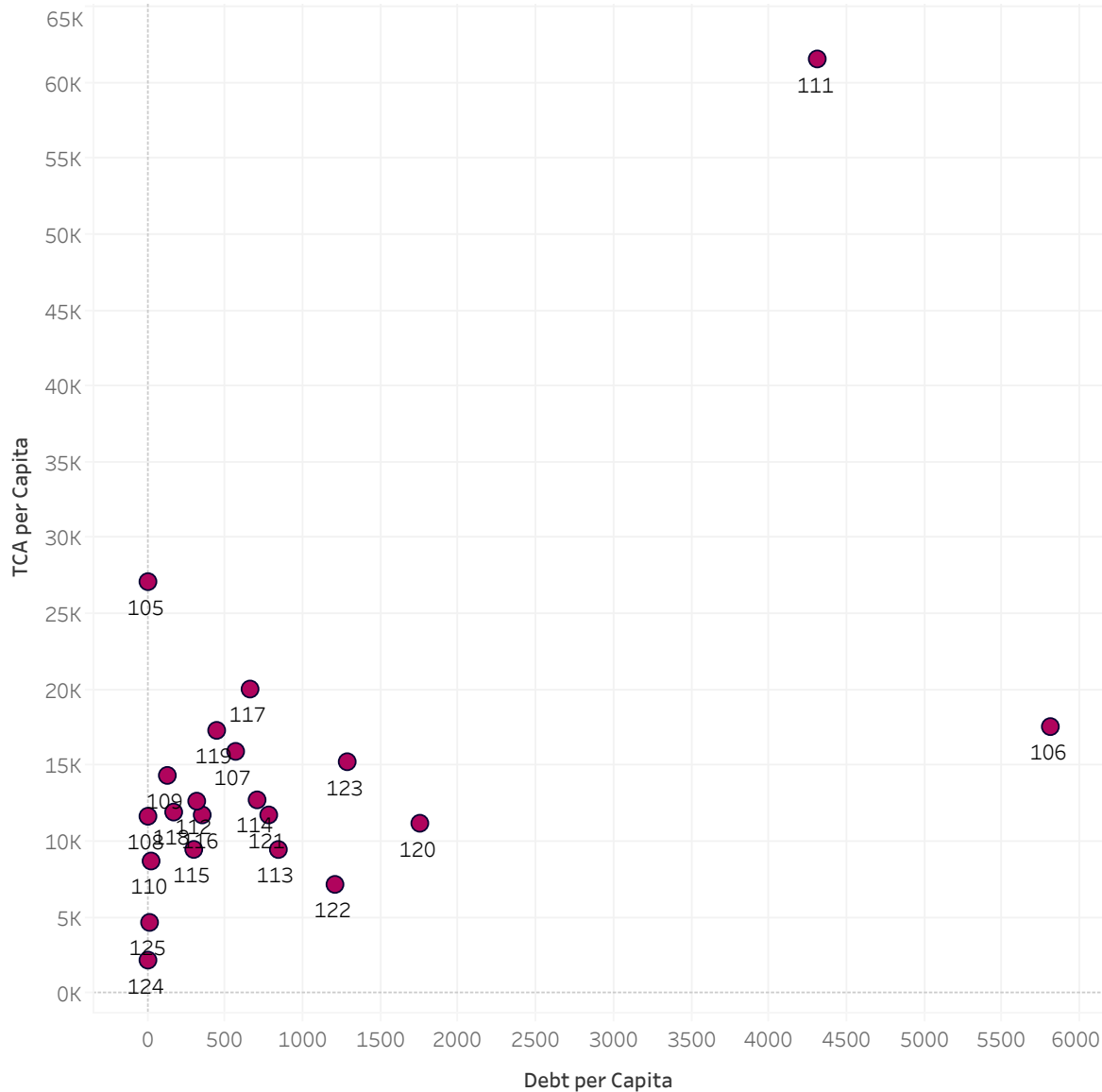
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British Columbia Municipality TCA Benchmarking



Tangible Capital Assets per Capita to Debt per Capita



Regional District

Metro Vancouver

Population Range

All

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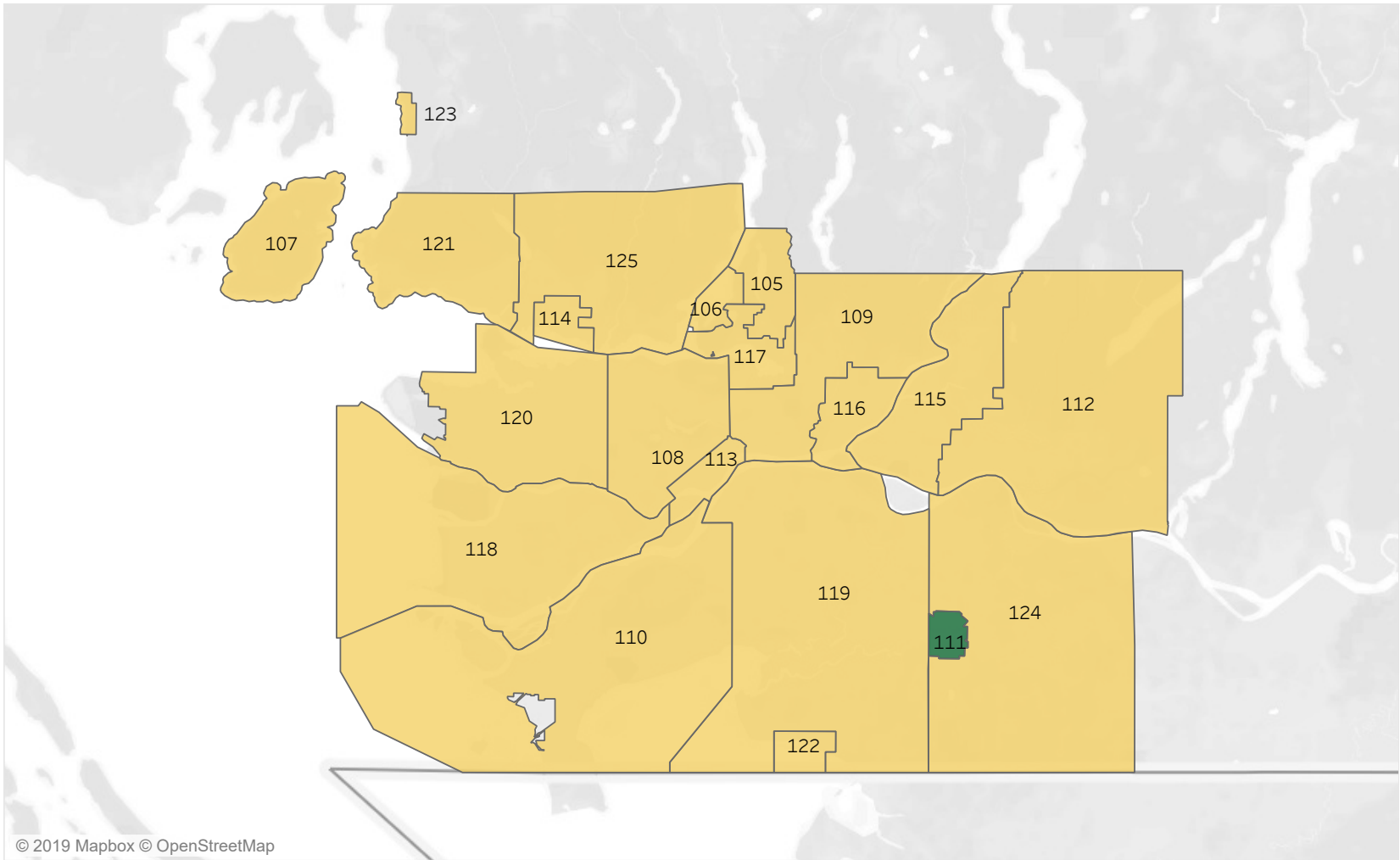
British Columbia Municipality TCA Benchmarking



Regional District
Metro Vancouver

Additions per Capita

Population Range
All



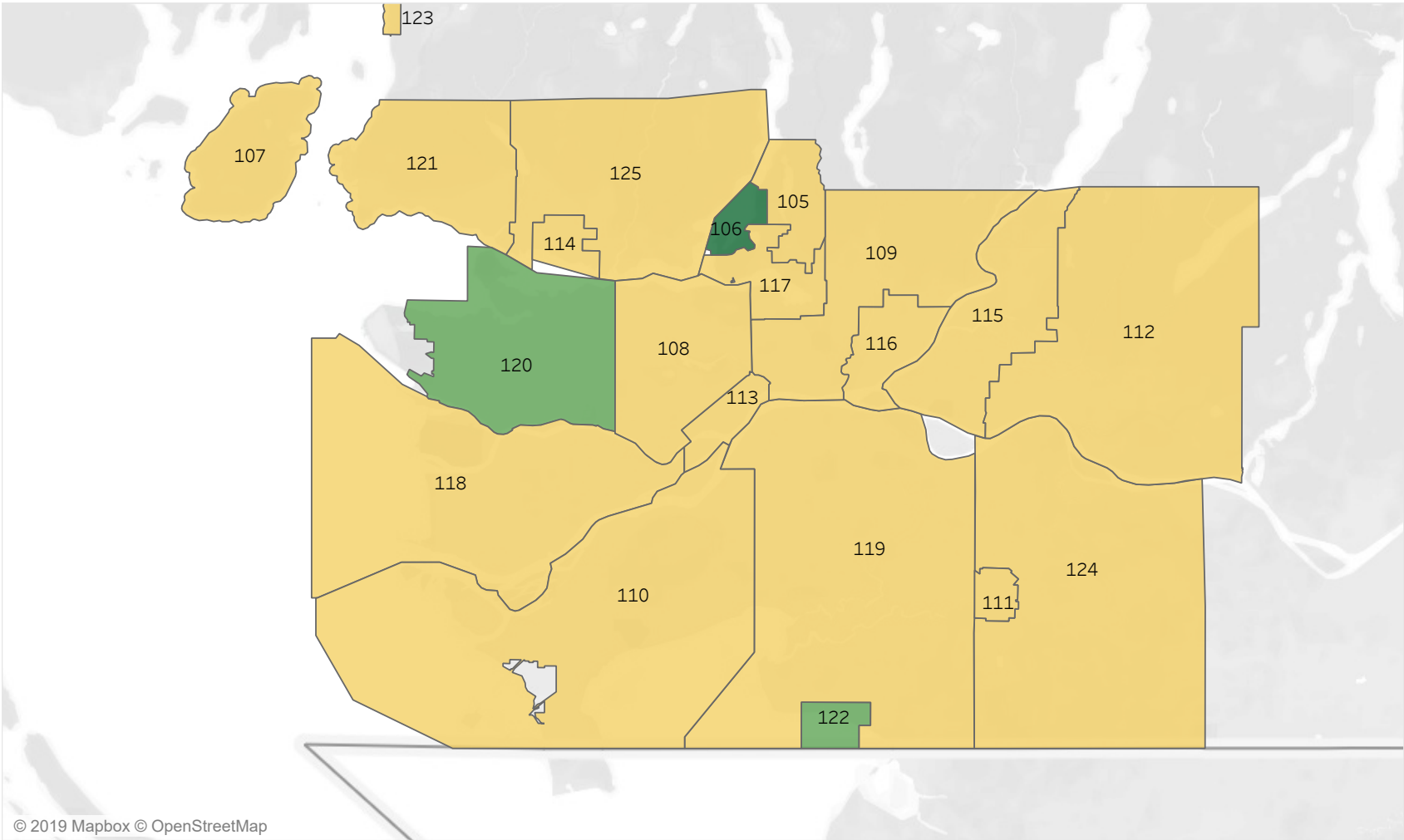
British Columbia Municipality TCA Benchmarking



Regional District
Metro Vancouver

Debt to Tangible Capital Assets

Population Range
All



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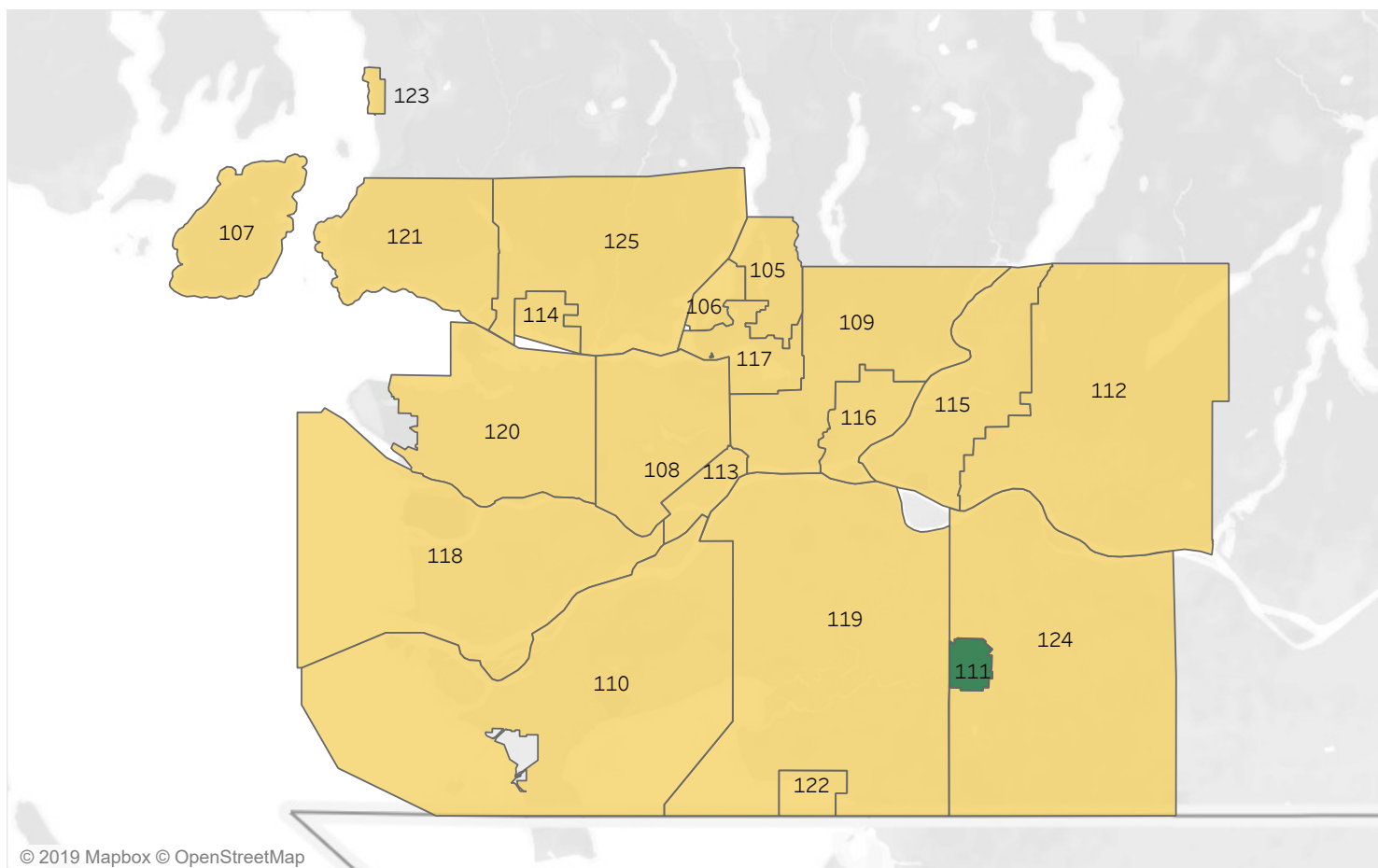
British Columbia Municipality TCA Benchmarking



Regional District
Metro Vancouver

Amortization per Capita

Population Range
All



Amortization per Capita





Appendices



Appendix 1: Required communications



Appendix 2: Audit quality and risk management



Appendix 3: Management representation letter



Appendix 4: Management letter



Appendix 1: Required communications



In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:



Auditors' Report

The conclusion of our audit is set out in our draft auditors' report attached to the financial statements.



Management representation letter

In accordance with professional standards, a copy of the management representation letter is provided to Council in Appendix 3.



Independence

In accordance with professional standards, we have confirmed our independence on page 3.

Appendix 2: Audit quality and risk management



KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the six key elements of our quality control system.

Visit our [Audit Quality Resources page](#) for more information including access to our most recent [Audit Quality Report](#).

Other controls include:

- Before the firm issues its audit report, the Engagement Quality Reviewer reviews the appropriateness of key elements.
- Technical department and specialist resources provide real-time support to audit teams in the field.

We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.

We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.

We do not offer services that would impair our independence.



All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.

The processes we employ to help retain and develop people include:

- Assignment based on skills and experience;
- Performance evaluation;
- Development and training; and
- Appropriate supervision & coaching

We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.

Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 3: Management representation letter



MANAGEMENT REPRESENTATION LETTER

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver, BC V7Y 1K3

April 6, 2020

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements of the Village of Belcarra's ("the Entity") as at and for the year ended December 31, 2019.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 18, 2017 including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.
 - e) providing you with additional information that you may request from us for the purpose of the engagement.
 - f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
 - g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
 - h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the entity, did not intervene in the work the internal auditors performed for you.

Internal control over financial reporting:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - otherswhere such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, short sellers, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
 - f) We have disclosed to you all information regarding investigations into possible fraud and/or non-compliance or suspected non-compliance with laws and regulations, including illegal acts, that we have undertaken at our discretion and completed, including the results of such investigations, and the resolution of the matters, if any, identified in such investigations.

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Misstatements:

- 11) We approve the corrected misstatements identified by you during the audit described in [Attachment II](#).

Other information:

- 12) We confirm that the final version of the 2019 Annual Report will be provided to you when available, and prior to issuance by the Entity, to enable you to complete your audit procedures in accordance with professional standards.

Non-SEC registrants or non-reporting issuers:

- 13) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 14) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

VILLAGE OF BELCARRA

By: Lorna Dysart, Chief Administrative Officer

Cc: Mayor and Council

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Attachment II – Summary of Audit Misstatements Schedules

Summary of Corrected Audit Misstatements

	Annual Surplus effect	Financial position		
Description	Increase (Decrease)	Assets Increase (Decrease)	Liabilities Increase (Decrease)	Accumulated Surplus Increase (Decrease)
To record the incorrect capitalisation and depreciation of costs which did not meet the definition for tangible capital assets	(\$16,784)	(16,784)	-	(\$16,784)

Appendix 4: Management letter





KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver, BC V7Y 1K3
Canada
Tel (604) 691-3000
Fax (604) 691-3031

MANAGEMENT LETTER

Ms. Lorna Dysart
Chief Administrative Officer
Village of Belcarra
4084 Bedwell Bay Rd
Belcarra, BC V3H 4P8

April 1, 2020

Dear Ms. Dysart:

In planning and performing our audit of the financial statements of the Village of Belcarra ("the Village") for the year ended December 31, 2019, we obtained an understanding of internal control over financial reporting (ICFR) relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR. Accordingly, we do not express an opinion on the effectiveness of the Entity's ICFR.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies or other control deficiencies have been identified. As a result, any matters reported below are limited to those deficiencies in ICFR that we identified during the audit. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

Refer to Appendix A for the definitions of various control deficiencies.

Significant deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

Other control deficiencies

Refer to Appendix B for identified control deficiencies that we determined to be other control deficiencies in ICFR that have not been communicated to management by other parties and that, in our professional judgment, are of sufficient importance to merit management's attention.



Village of Belcarra
April 1, 2020

Management's responses

Management's responses have not been subjected to the audit procedures applied in the audit, and accordingly, we express no opinion on them.

Use of letter

This letter is for the use of management and those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purpose or by anyone other than management and those charged with governance.

KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

Appendix A

Terminology	Definition
Deficiency in Internal Control ("control deficiency")	<p>A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.</p> <p>A deficiency in design exists when (a) a control necessary to prevent, or detect and correct, misstatements in the financial statements is missing; or (b) an existing control is not properly designed so that, even if the control operates as designed, the control is unable to prevent, or detect and correct, misstatements in the financial statements.</p> <p>A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.</p>
Significant Deficiency in Internal Control ("significant deficiency")	<p>A significant deficiency in internal control is a deficiency, or combination of deficiencies, in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.</p>



Appendix B

OTHER CONTROL DEFICIENCIES IDENTIFIED IN THE CURRENT YEAR

1. Bank reconciliations

During our audit, we noted that the Village's bank balance does not reconcile to the general ledger balance on a monthly basis by an immaterial amount of \$600. Not fully reconciling the bank balance, even for a low dollar value amount, increases the risk that errors and irregularities will not be identified and increases the potential for misappropriation of funds.

Recommendation:

We recommend that management identify and fully resolve reconciling items each month to ensure the accuracy of the general ledger balances on a consistent basis and at year-end.

Management response:

Management agrees with the recommendation and noted that it will investigate and resolve the immaterial difference.

2. Additions to tangible capital assets

During our audit, we noted that management did not complete a thorough review of additions to tangible capital assets. As a result, certain purchases that did not meet the tangible capital asset criteria were capitalized. Lack of consistent review may result in errors or omissions going undetected or not being detected in a timely manner and could lead to a misstatement in the Village's financial information.

Recommendation:

We recommend that a formal review of additions to tangible capital assets be adopted to ensure that accounting information is reviewed on a timely basis.

Management response:

Management agrees with the recommendation to develop a formal policy to address the above issue.

OTHER CONTROL DEFICIENCIES IDENTIFIED IN PREVIOUS YEARS

1. Allocation of public work costs for the Major Road Network (“MRN”) grant

We noted that management’s allocation of public work costs, such as salaries & benefits, related to the MRN grant lacks proper documentation. There is no support readily available for the determination of the allocation, and the allocation has not been recently reviewed to ensure any changes that may have occurred since the original allocation was determined are reflected. As a result, allocated costs towards the MRN grant may not be reflective of actual costs.

Recommendation:

We recommend that management develop a formal policy to allocate costs and to determine a process to validate that the allocation is reasonable on an annual basis.

Management response:

In 2018, management agreed with the recommendation to develop a formal policy to support the allocation.

In the current year, management indicated that it is still in the process of developing a system to address the above issue.



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