
Meeting Access Information

Members of the AFC and the public are asked to join the meeting in-person in the Thornhill Room at Maple Ridge City Hall.

1. **CALL TO ORDER**
2. **APPROVAL OF THE AGENDA**
3. **ADOPTION OF MINUTES – July 4, 2022**
4. **DELEGATIONS – NIL**
5. **NEW AND UNFINISHED BUSINESS**
 - 5.1 Appointment of Chairperson
 - 5.2 Role of the Audit & Finance Committee
 - 5.3 Review Terms of Reference
 - 5.4 Proposed 2023 Work Plan
 - 5.5 Proposed Meeting Schedule for 2023
 - 5.6 Auditor Planning Report for 2022
6. **QUESTION PERIOD**
7. **NOTICE OF CLOSED MEETING**

Recommendation:

THAT, pursuant Section 90 of the *Community Charter*, this portion of the meeting be closed to the public as the subject matter being considered relates to the following:

- 90(1)(l) – Discussions with municipal officers and employees respecting municipal objectives, measures and progress reports for the purposes of preparing an annual report under section 98 [annual municipal report].

AND, any other matter that may be brought before the Committee of Council that meets the requirements for a meeting closed to the public pursuant of Section 90 of the *Community Charter* or *Freedom of Information and Protection of Privacy Act*.

8. **ADJOURNMENT**

Next Meeting: To be determined
Agenda Submission Deadline: To be determined

QUESTION PERIOD

Question Period provides the public with the opportunity to ask questions or make comments on subjects that are of concern to them. Each person will be given 2 minutes to speak.

Up to ten minutes in total is allotted for Question Period.

The Minutes of the Regular Meeting of the Audit & Finance Committee
held virtually and in the Blaney Room, City Hall on July 4, 2022 at 1:00 pm

COMMITTEE MEMBERS PRESENT

Mayor Morden, Chair
Councillor Gordy Robson
Councillor Judy Dueck

STAFF MEMBERS PRESENT

Scott Hartman	Chief Administrative Officer
Catherine Nolan	Deputy Director of Finance
Trevor Thompson	Director of Finance
Christine Carter*	General Manager Planning & Development Services
David Pollock	General Manager Engineering Services
Christina Crabtree	General Manager Corporate Services
Andres Lazzo-Hild*	Financial Analyst
Forrest Smith	Director of Engineering
Arsh Dhillon	Committee Clerk

*Participated remotely.

- 1. CALL TO ORDER – 1:07 pm**
- 2. APPROVAL OF THE AGENDA**

R/2022-AFC-011

It was moved and seconded

That the agenda for the July 4, 2022 Audit & Finance Committee Meeting be approved as circulated.

CARRIED UNANIMOUSLY

- 3. ADOPTION OF MINUTES**

R/2022-AFC-012

It was moved and seconded

That the minutes of the June 27, 2022 Audit & Finance Committee Meeting be adopted as circulated.

CARRIED UNANIMOUSLY

- 4. DELEGATIONS – NIL**
- 5. NEW AND UNFINISHED BUSINESS**

Note: Andres Lazzo-Hild joined at 1:10 pm.

5.1. Financial Modeling – Tools & Recommendations

The Director of Finance, provided an overview of financial tools that are available to support the delivery of various master plans under development. Staff responded to a number of questions from the committee.

5.2. Development Cost Charges Update

The Director of Finance, provided an updated overview of Development Cost Charges (DCCs) and a proposed DCC Imposition Amending Bylaw. The Committee endorsed the recommendation that the Development Cost Charge Imposition Amending Bylaw be brought to Council for First Reading.

6. QUESTION PERIOD – NIL

7. ADJOURNMENT at 2:42pm

Mayor Mike Morden, Chair

Background Material

Audit & Finance Committee

Role of the Audit & Finance Committee

Audit committees have played an important role in organizations for a long time and in recent years their role has become even more important. In Maple Ridge, our committee is called the Audit & Finance Committee and operates under terms of reference that are adopted at the beginning of each term of Council. Those terms of reference are included as part of your agenda package and set out the responsibilities of the committee.

Role of the External Auditor

The City's external auditor is BDO Canada LLP. Their contract with the City runs through the completion of work related to the 2022 fiscal year.

The external auditor is engaged for the following tasks:

- To provide an opinion on the accuracy of the City's annual consolidated financial statements

The external auditor's role does not include things such as:

- Commenting on the City's Official Community Plan
- Process improvement reviews
- Value for money audits

Audit & Finance Committee Calendar

The number Audit & Finance Committee meetings will vary from year-to-year depending on need. Meetings are often held to a one-hour time frame to allow information to be presented and discussed in a focused manner. Typically there are more meetings in the first year of a new Council's mandate to allow time for policy reviews that are not repeated each year. Meetings can be called as needed or cancelled if they are not needed.

**City of Maple Ridge
Audit and Finance Committee
Terms of Reference**

Composition

- The Audit and Finance Committee will be comprised of the Mayor and two Councillors.
- Quorum for the committee will be two members.
- Members will be appointed annually by the Mayor.
- The Committee Chair will be elected by the Committee Members.
- The Chief Administrative Officer, or designate, and the Chief Financial Officer will attend meetings to provide input and answer questions.

Authority

- The Audit and Finance Committee is a standing committee appointed by the Mayor.
- The proceedings of the Committee are to be conducted in public, unless the subject matter being considered falls within an applicable subsection of Section 90 of the Community Charter.
- The Committee has the authority to investigate any activity of the City.
- The Committee may retain persons having special expertise to assist it in fulfilling its responsibilities.

Meetings

- The Committee meets at least twice per year. The meetings are scheduled to permit timely review of the annual financial statements and reports. Additional meetings may be held as deemed necessary by the Chair of the Committee or as requested by the external auditors.
- The Chair of the Committee will constitute a meeting as per the requirements of the Community Charter.
- The Committee Chair will be included in the agenda setting process.
- The person designated by the Committee to act as Secretary will prepare minutes for all meetings.

Responsibilities

- To meet with the external auditors appointed by Council and with the Finance Department Staff to review that:
 - The City has implemented appropriate systems to identify, monitor and mitigate significant business risks;
 - The City has implemented appropriate systems of internal control to ensure compliance with legal, ethical and regulatory requirements and that these systems are operating effectively;
 - The City has implemented appropriate systems of internal control to ensure compliance with its policies and procedures and these systems are operating effectively;
 - The City has implemented appropriate systems of internal control over financial reporting and that these systems are operating effectively;

**City of Maple Ridge
Audit and Finance Committee
Terms of Reference cont'd**

- The City's annual financial statements are fully presented in all material respects in accordance with generally accepted accounting principles, the selection of accounting policies is appropriate and the annual financial statements should be approved by Council;
- The information contained in the City's annual report and other disclosures is accurate, complete and fairly presents the financial position and the risks of the organization; and
- The external audit function has been effectively carried out and any matter that the external auditors wish to bring to the attention of Council has been given adequate attention.
- To review interim financial reports as deemed appropriate by the Chair of the Committee.
- To recommend to Council the reappointment or appointment of external auditors.
- To review the Business Planning framework.
- To review organizational metrics.
- To inquire into any matters referred to it by Council.

Audit & Finance Committee

2023 Draft Work Plan

1 st Quarter	Status
Appoint Committee Chair	
Review Terms of Reference	
Review and Endorse Committee 2023 Priorities and Work Plan	
Review 2022 external audit plan	
Investment Portfolio Report	
2 nd Quarter	Status
2022 Audited Financial Statements	
2022 External Audit Findings Report	
Review Q1 Operating Results	
Investment Portfolio Report	
2024-2028 Business Planning Guidelines Review	
Permissive Tax Exemption Policy Framework review	
Financial Policy Review & Update	
3 rd Quarter	Status
Investment Portfolio Report	
Review Q2 Operating Results	
Financial Policy Review & Update	
4 th Quarter	Status
Investment Portfolio Report	
Review Q3 Operating Results	
Financial Policy Review & Update	

City of Maple Ridge

Audit planning report to the Audit and Finance
Committee For the year ended December 31,
2022

START

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To the Audit and Finance Committee of the City of Maple Ridge

We are pleased to provide you with this planning report to highlight and explain key issues we believe to be relevant to the audit of the Consolidated Financial Statements of the City of Maple Ridge (the “City”) for the year ended December 31, 2022.

The enclosed planning report includes our approach to your audit, the significant risks we have identified and the terms of our engagement. At the year-end meeting, we will provide you with a copy of our draft audit opinion and discuss the nature, extent and results of our audit work. We will also report any significant internal control deficiencies identified during our audit and reconfirm our independence.

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Audit and Finance Committee, and the Mayor and Council in fulfilling its responsibilities. This report has been prepared solely for the use of the Audit and Finance Committee, the Mayor and Council, and management of the City, and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We look forward to completing our audit work and discussing our findings with you. In the meantime, please feel free to contact us if you have any questions or concerns.

Yours truly,

BDO Canada LLP

BDO Canada LLP

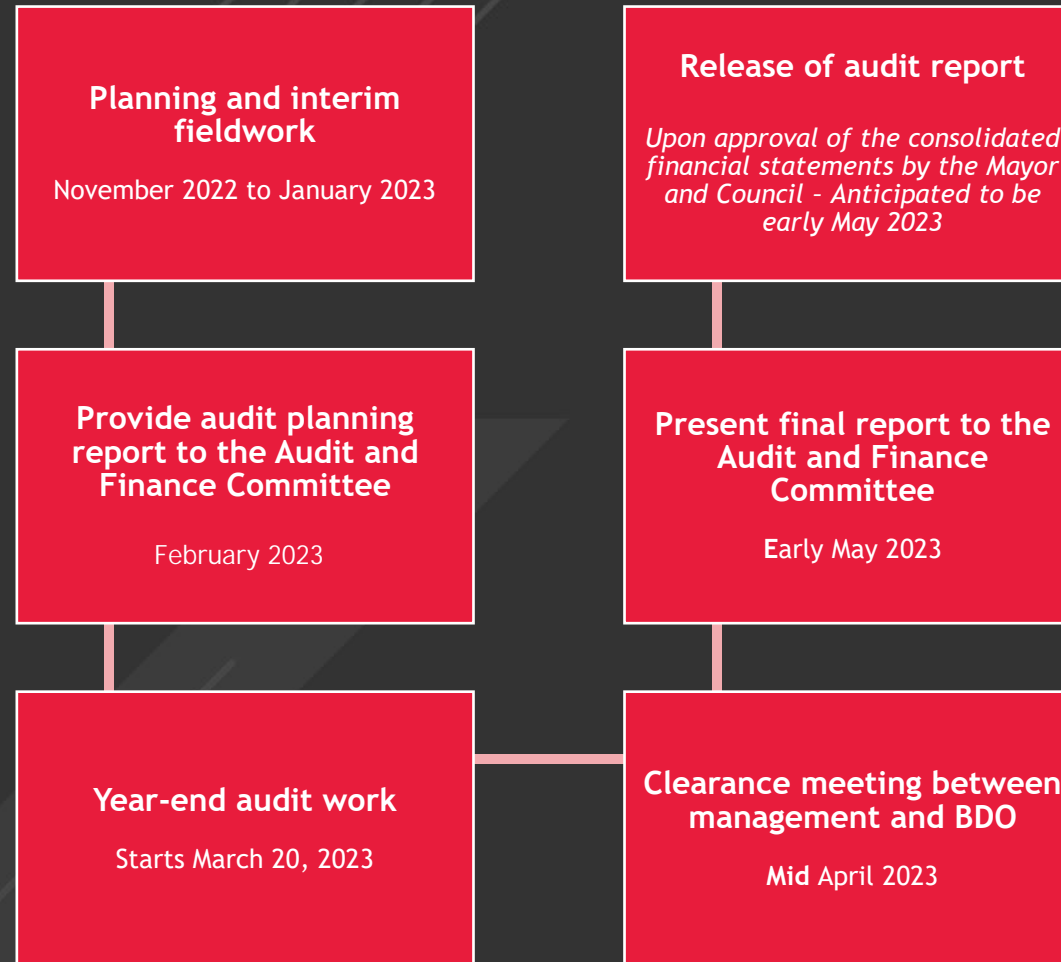


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Audit timeline



Your dedicated BDO audit team

In order to ensure effective communication between the Audit and Finance Committee and BDO Canada LLP, the contact details of the engagement team are outlined below. We attempt to provide continuity of personnel within our client project teams to the greatest extent possible.

NAME	ROLE	PHONE NUMBER	EMAIL
Brian Szabo, CPA, CA	Engagement Partner	604.646.3389	bszabo@bdo.ca
Mario Piroddi, CPA, CA, CISA	Quality Review Partner	250.372.9505	mpiroddi@bdo.ca
Andrew Davies, CPA	Assurance Senior Manager	604.646.6221	andavies@bdo.ca
Darren Taylor, CPA, CA	Indirect Tax Partner	604.443.4725	dtaylor@bdo.ca



Auditor's responsibilities: financial statements

We are responsible for forming and expressing an opinion on the consolidated financial statements that have been prepared by management, with oversight by those charged with governance. The audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities. The scope of our work, as confirmed in our engagement letter which has previously been provided, is set out below:

- ▶ Work with management towards the timely issuance of the consolidated financial statements.
- ▶ Provide timely and constructive management letters. This may include deficiencies in internal control identified during our audit.
- ▶ Present significant findings to the Audit and Finance Committee including key audit and accounting issues, any significant deficiencies in internal control and any other significant matters arising from our work.



We are required to obtain an understanding of the system of internal control in place in order to consider the adequacy of these controls as a basis for the preparation of the consolidated financial statements, to determine whether adequate accounting records have been maintained, and to assess the adequacy of these controls and records as a basis upon which to design and undertake our audit testing.

We are required to report to you in writing about any significant deficiencies in internal control that we have identified during the audit.



Auditor's responsibilities: fraud

We are responsible for planning and performing the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements, whether caused by error or fraud, by:

- ▶ Identifying and assessing the risks of material misstatement due to fraud;
- ▶ Obtaining sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- ▶ Responding appropriately to fraud or suspected fraud identified during the audit.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

Throughout our planning process, we performed risk assessment procedures and related activities to obtain an understanding of the City and its environment, including the City's internal control, to obtain information for use in identifying the risks of material misstatement due to fraud and made inquiries of management regarding:

- ▶ Management's assessment of the risk that the consolidated financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;
- ▶ Management's process for identifying and responding to the risks of fraud in the City, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;
- ▶ Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud relevant to the City; and
- ▶ Management's communication, if any, to employees regarding its view on business practices and ethical behavior.

We are not currently aware of any fraud affecting the City. If you are aware of any instances of actual, suspected, or alleged fraud, or change in risk factors, please contact [Your dedicated BDO audit team](#).

Behind the audit report



Learn how we audit
your financial
statements

[SEE OUR
PROCESS](#)



Audit risk areas and planned responses

Based on our knowledge of the City's business, our past experience, and knowledge gained from management and Mayor and Council, we have identified the following significant audit risk areas that we wish to raise to your attention at this time. *The risk assessment and planning phase of our engagement is ongoing (please see page 12). We will communicate any further significant risks that we identify in our audit findings report to the Audit and Finance Committee.*

Risks classified as significant arise due to a combination of: complexity of the transactions, balances and related accounting rules, changes in operations or business lines, the extent of estimation and judgment involved in the financial statement area, and the existence of new accounting pronouncements that affect them. We request your input on the following significant risks and whether there are any other areas of concern that the Audit and Finance Committee have identified.

Financial statement areas	Risks noted	Audit approach
Risk of Fraudulent Revenue Recognition <i>[Rebuttable presumption]</i>	Auditing standards require us to consider the risk of fraudulent revenue recognition. Due to the nature of the City's revenue, we have rebutted this presumption.	Review of funding agreements, with a focus on key terms related to revenue recognition criteria, including: total funding amounts, eligibility criteria, stipulations and potential repayment.
Recognition of Grant & Government Transfer Revenue	Nevertheless, accounting standards relating to grant and government transfer revenue recognition are complex and open to variation in application. There is a risk that grants or revenue derived from other government transfers may be incorrectly deferred into future periods or recognized prior to stipulations being met.	Verify a sample of grant fund receipts to the bank statement and supporting payment notification from the funder. Expenditures incurred for projects funded by arrangements that include stipulations will also be reviewed to ensure those expenditures meet the requirements of the funding agreement. Review other revenue streams to ensure they are recorded in accordance with revenue recognition standards.
Management Override of Internal Controls <i>[Mandatory audit consideration]</i>	Management is generally in a unique position to perpetrate fraud because of its ability to directly or indirectly manipulate accounting records, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. This risk is not unique to the City.	Review of transactions recorded in various ledgers for unusual, non-recurring adjustments that are not addressed by other audit procedures. Test the appropriateness of key estimates, and any adjustments made in the preparation of the consolidated financial statements.

Materiality

Materiality for financial statement amounts relating to operations is preliminarily set at \$3.2 million. Materiality for amounts relating to tangible capital assets is preliminarily set at \$23 million.

These materiality calculations are based on a combination of the City's prior year results and the current year financial plan. Materiality will be re-assessed throughout the audit process as the City's financial results become available, and as any audit adjustments are identified.

We will communicate any changes in materiality to the Audit and Finance Committee as part of our final audit reporting materials.

Misstatements are considered to be material if they could reasonably be expected to influence the decisions of users based on the consolidated financial statements.

We will communicate all corrected and uncorrected misstatements identified during our audit to the Audit and Finance Committee, other than those which we determine to be "clearly trivial."

We encourage management to correct any misstatements identified throughout the audit process.



Using the work of others

Experts engaged by management

To complete the audit of your consolidated financial statements, we will rely in part on the work of, and the report prepared by, HUB International Limited. This expert's work relates to the employee future benefits liability recognized by the City. Canadian generally accepted auditing standards require us to communicate with this expert. We propose to discuss the following with HUB International Limited:

- ▶ The objective and nature of our audit engagement and how we intend to use the expert's findings and report.
- ▶ Our assessment of the significant and risk aspects of the engagement that will affect the expert's work.
- ▶ The requirement to advise us if they have any relationship with the City which could impair their judgment or objectivity in the conduct of their engagement.
- ▶ The nature, timing and extent of the expert's work and our planned review of it, possibly including review of their working papers.
- ▶ Confirmation that the assumptions used in their calculations are consistent with those used in the prior periods and with industry standards.
- ▶ Their obligation to advise BDO Canada LLP of any matters up to the estimated audit report date that may affect their calculations and their report.

We ask that the appropriate level of management review the data provided to HUB International Limited and that they also review the assumptions used and results reported by the expert.





How we audit financial statements: Our six-step audit process

IDENTIFY AND ASSESS RISK

Focus on those areas of financial statements that contain potential material misstatements as a consequence of the risks you face

OBTAIN AUDIT EVIDENCE

Perform audit procedures while maintaining appropriate degree of professional skepticism, to conclude whether or not the financial statements are presented fairly

REPORT

Communicate our opinion and details of matters on which we are required to report

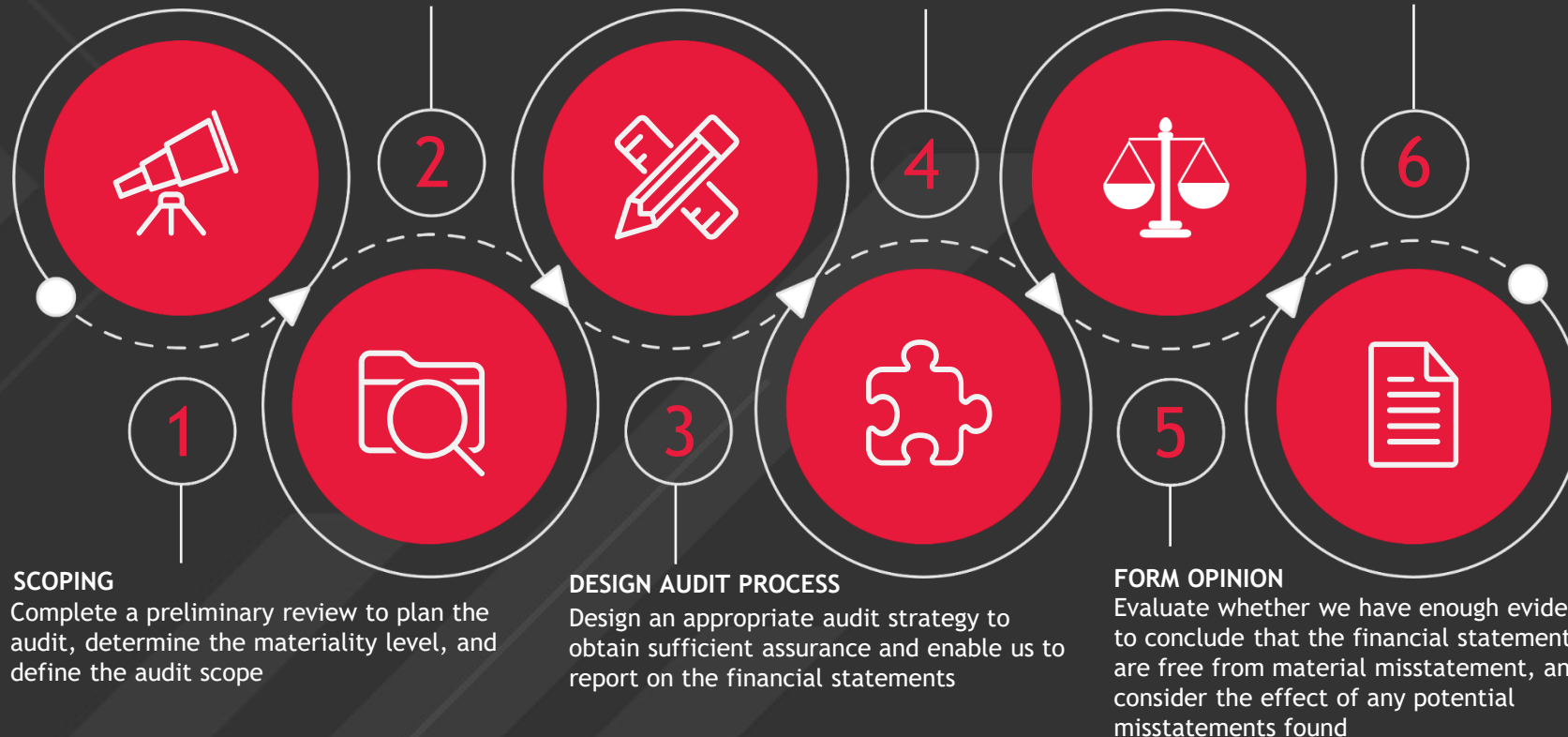
New Standard for Audit Quality



ISQM 1

The quality of an audit depends not only on the people conducting it—but also on the systems underpinning it. These new rules up the ante for your audit quality.

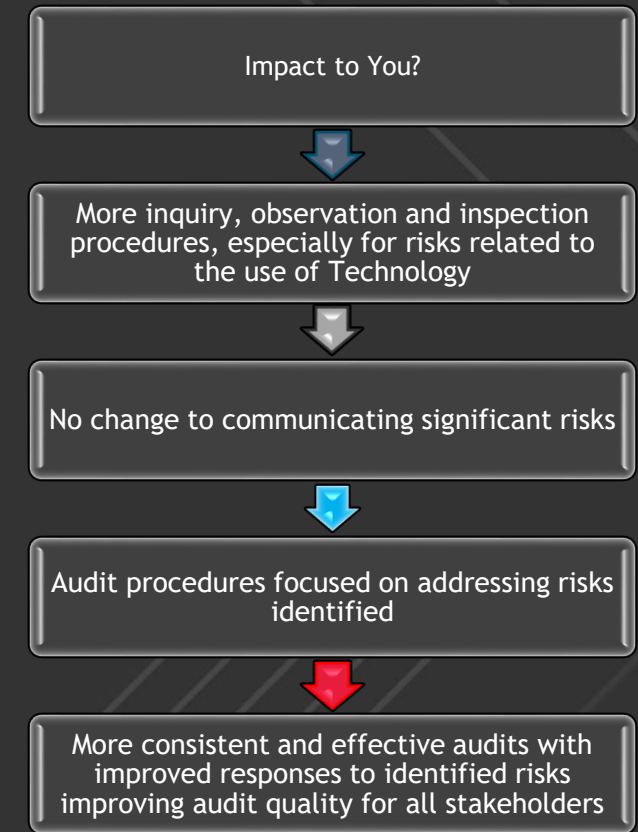
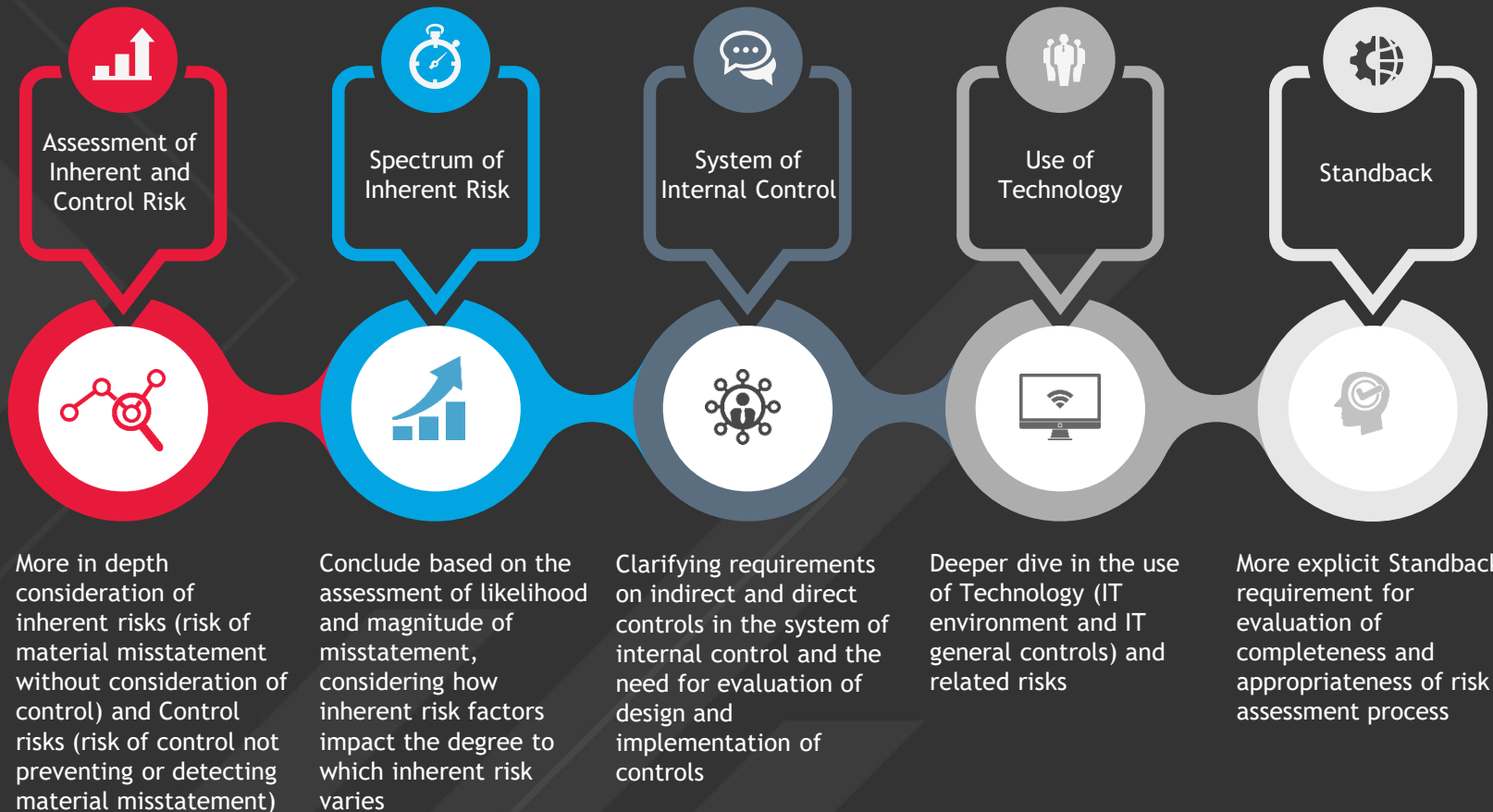
[SEE THE STANDARD](#)





Updates to auditing standards (CAS 315)

Canadian Auditing Standard 315, *Identifying and Assessing the Risks of Material Misstatement*, was significantly revised to have more robust risk identification, assessment and response procedures. The revised standard is required to be implemented for the City's 2022 fiscal year. The key updates, which are described below, primarily impact Steps 1 through 3 of our current six step audit process. ***The update to this audit standard is expected to drive a significant amount of additional audit work in this initial year of implementation, and to a lesser degree some additional work in the following years.***





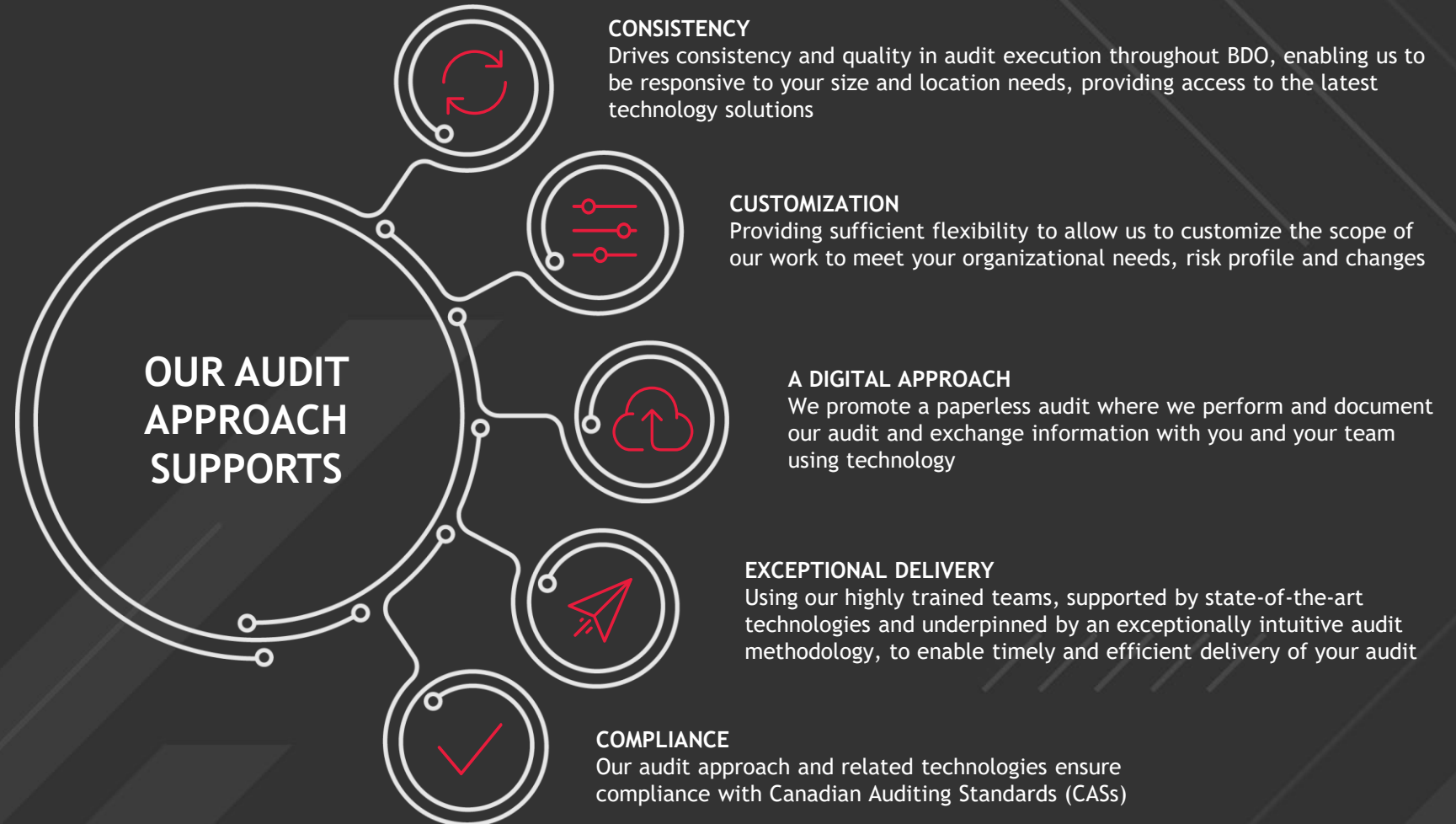
Our audit approach: Responsiveness in action

The cornerstone of each audit engagement is how we deliver our services.

Our firm is deliberately structured to allow one partner to every six staff members. This means easy access to senior staff and the lead partner throughout your audit, as well as a quick turnaround on any questions. It also helps our team gain a better understanding of your organization.

Our audit process differs from the typical audit in our use of real-time reviews. The benefit of this is that final decision-makers are involved in issue resolution prior to the completion of the scheduled testing period.

We offer clients the full-service expertise of a national firm. Even more: As part of the global BDO network, we provide seamless and consistent cross-border services to clients with global needs. Yet we maintain a local community focus. The comprehensive range of services we deliver is complemented by a deep industry knowledge gained from nearly 100 years of working within local communities.





Recommended resources: Public sector *Insights* articles

Leadership: Mental health resources to support your people



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Envisioning cloud migrations for public sector organizations



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