

DATE: November 8, 2017

FILE: 1680-20/2017

TO: Chair and Directors
Electoral Areas Services Committee

FROM: Russell Dyson
Chief Administrative Officer

Supported by Russell Dyson
Chief Administrative Officer

R. Dyson

**RE: Audit service plan – Merville Fire Protection District
For the period January 1, 2016 to June 14, 2017**

Purpose

To present the 2017 audit service plan for the Merville Fire Protection District (MFPD) as submitted by the audit firm of MNP LLP.

Recommendation from the Chief Administrative Officer:

This report is provided for information.

Executive Summary

- MFPD was converted to a regional district service on June 15, 2017 by Order in Council 113.
- The last audit of the MFPD was for the year ended December 31, 2015.
- MNP LLP has prepared the attached audit service plan (Appendix A) for the audit of the period January 1, 2016 to June 14, 2017.
- A final audit report will be presented to the board with the draft financial statements once the audit is complete.
- The CVRD board exercises its independent authority relating to the external auditor by receiving and reviewing the audit service plan and the final audit report.

Prepared by:

B. Dunlop

Beth Dunlop, CPPB, CPA, CGA
Corporate Financial Officer

Background / Current Situation

The Merville Fire Protection District was converted to a regional district service on June 15, 2017 by way of Order in Council 113 issued by the Province of British Columbia on March 6, 2017. Upon review of the records during the transition, the CVRD determined that the last audited financial statements of the MFPD were for the year ended December 31, 2015 and that an audit was required for the approximate 18 month period to June 14, 2017 to bring the financial statements to a current status for the conversion.

MNP LLP, the auditors of the CVRD, and also the auditors of the MFPD, have been engaged to perform the audit and have provided the audit service plan attached as Appendix A. The audit service plan provides an overview of the audit approach, the proposed engagement team, the scope of the audit and the timeline for the deliverables. The audit findings report is expected to be available for presentation to the board by the end of November 2017.

Policy Analysis

Audit requirements of the Chartered Professional Accountants of Canada require the auditor to communicate with those, other than management, having oversight responsibility for the financial statements.

Options

Not relevant

Financial Factors

The fees for this audit will be \$5,000, exclusive of disbursements, which will be funded by the Merville Fire Protection local service area, function 237.

Staff have requested consideration of additional restructure implementation grant funds from the Ministry of Municipal Affairs and Housing to cover the costs of bringing this audit to current status. No response has been received to date.

Legal Factors

Not relevant

Regional Growth Strategy Implications

Not relevant

Intergovernmental Factors

Not relevant

Interdepartmental Involvement

Not relevant

Citizen/Public Relations

Not relevant

Attachments: Appendix A – Merville Fire Protection District Audit Service Plan, for the year ending December 31, 2016 and the period ending June 14, 2017

Merville Fire Protection District
Audit Service Plan

Year Ending December 31, 2016 and the six-month period ended June 14, 2017
For presentation at the Board Meeting

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November 6, 2017

Members of the Board

Dear Sirs/Mesdames:

We are pleased to continue our appointment as auditors of Merville Fire Protection District (the "District"). This summary Audit Service Plan is for the use of MNP LLP ("MNP"), the District's Board, and members of the District's management and staff, and is designed to document the overall approach and the general arrangements for the conduct of our fiscal audit.

The plan should assist the Board and management in understanding the approach to the audit.

AUDIT OBJECTIVES AND RESPONSIBILITIES

Our objective and responsibility as auditors of the District is to report to the directors whether the financial statements present fairly, in all material respects, the financial position of the District and its results of operations and cash flows, in accordance with Canadian public sector accounting standards.

AUDITORS' RESPONSIBILITIES

Our audit is designed to provide reasonable, but not absolute, assurance. The audit process involves testing only selected data and is subject to the limitation that material misstatements, fraud, or non-compliance with laws and regulations may not be detected. This results from the limitations inherent to internal control, including faulty human judgment in decision-making, human error and the possibility of management override or collusion, especially where fraud is perpetrated by management, where collusion or forgery are employed, or where controls are not effective. In addition, the work performed by auditors requires significant judgment regarding the gathering of evidence and the drawing of conclusions based on the audit evidence acquired; most audit evidence acquired is persuasive rather than conclusive. We will inform you of any such items discovered during our audit; however, our concern is with material misstatements, and thus, we are not responsible for the detection of misstatements that are not material to the financial statements taken as a whole.

We will consider the District's internal control as part of the financial statement audit. This includes obtaining an understanding of the internal control activities and any effect they may have on the audit regardless of whether they are relevant to the audit; evaluating the design of those controls; and determining whether they have been implemented. This understanding is sufficient to allow us to identify and assess the risks of material misstatement of the financial statements and to design and perform audit procedures. We are not, however, required to determine whether relevant controls are operating effectively, and as such, our understanding of internal controls should not be relied upon for any other purposes.

MANAGEMENT'S RESPONSIBILITIES

Management is responsible for the preparation and fair presentation of the financial statements and notes, including the initial selection of and changes to significant estimates and accounting policies, in accordance with Canadian public sector accounting standards. This responsibility includes creating and maintaining policies, financial reporting systems and controls, including those designed to prevent and detect fraud and misstatement, and, ensuring regulatory compliance. Management is required to provide an adequate description of their selected applicable financial reporting framework on which the financial statements are based.

During the course of our audits, management will be required to provide and make available complete information that is relevant to the preparation and presentation of the financial statements, including financial records and related data, and copies of all minutes of meetings of directors. As well, information relating to any known or probable instances of non-compliance with legislative or regulatory requirements (including financial reporting requirements), illegal or possibly illegal acts and all related parties and related party transactions will need to be provided. Management will be required to allow access to those within the entity from whom the auditor determines it necessary to obtain audit evidence.

In accordance with Canadian generally accepted auditing standards, we will request a letter of representation from management at the close of our examination in order to confirm oral representations given to us and reduce the possibility of misunderstanding concerning matters that are the subject of the representations. Specifically, we will request written confirmation of significant representations provided on matters that are directly related to items that are material, either individually or in the aggregate, to the financial statements; not directly related to items that are material to the financial statements, but are significant, either individually or in the aggregate, to the engagement; and matters relevant to judgments or estimates that are material, either individually or in the aggregate, to the financial statements. These representations are used as evidence to assist us in deriving reasonable conclusions upon which our audit opinion is based.

BOARD RESPONSIBILITIES

The Board is responsible for approval of the financial statements and District policies, and for monitoring management's performance. The Board should consider the potential for management override of controls or other inappropriate influences, such as earnings management, over the financial reporting process. The Board, 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.

OVERALL AUDIT STRATEGY

Our overall audit strategy is risk-based and controls-oriented. Identification and assessment of risks having a potential impact on the financial accounting systems and consequent financial reporting is performed continuously throughout the audit process.

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.

We will identify and assess the risk of material misstatement within the financial statements by updating our understanding of the entity and its environment, including examining and assessing controls and systems, the evidence supporting amounts and disclosures in the statements, and the appropriateness of accounting principles and significant estimates. This will be accomplished through inquiries with management and others within the entity, analytical procedures, and observation and inspection. Further, we will consider whether effective controls have been established to adequately respond to the risks arising from the use of IT or manual systems. Our review of the District's controls will not be sufficient to express an opinion as to their effectiveness or efficiency.

For the audit, we are planning to place low reliance on the District's accounting systems, which is consistent with the prior year. Our audit work will involve mainly substantive tests of transactions and balances. Substantive work may be reduced if tested controls are effective for some, or all, of the period audited.

Materiality, determined according to our professional judgment, will be used to assess the significance of identified misstatements or omissions, and to determine the level of audit testing carried out. Specifically, a misstatement or the aggregate of all misstatements in the financial statements is considered to be material, if it is probable that the decision of the party relying on the financial statements, who has a reasonable understanding of business and economic activities, will be changed or influenced by such a misstatement or the aggregate of all misstatements.

We propose to use \$17,500 as overall materiality for audit planning purposes.

YOUR NEEDS AND EXPECTATIONS AND THE PLANNED MNP RESPONSE

To fulfill our commitment to provide you with the highest level of professional service, we will:

- Inform you of any new or proposed accounting and auditing pronouncements relevant to your financial reporting, so that we can plan for their effect and assist in their implementation.
- Communicate relevant matters to the Board, including our Audit Service Plan and Audit Findings.
- Provide ongoing business, taxation, and accounting and financial reporting advice, and assist management as requested, when transactions or issues arise.
- Opine on the fair presentation of the audited financial statements to be issued.
- Provide our recommendations with regard to controls and administrative efficiencies.

TIMING OF THE AUDIT

Based on the audit planning performed and areas of audit risks identified, the following timelines for key deliverables have been discussed and agreed upon with management:

KEY DELIVERABLE	EXPECTED DATE
Delivery of June 14, 2017 Audit Service Plan to the Board	Fall 2017
Year-end fieldwork procedures	October 2017
Presentation of June 14, 2017 Audit Findings Report to the the Board	November 2017
Issuance of Independent Auditors' Report	November 2017



AUDIT TEAM

In order to ensure effective communication between the Board and MNP, we outline below the key members of our audit team that will be responsible for the audit of Merville Fire Protection District and the role they will play:

NAME	POSITION
Cory Vanderhorst, CPA, CA	Engagement Partner
Graham Roberts, CPA, CA	Senior Manager
Julia Picciuto	Senior

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

Our estimated audit fee for the year ended June 14, 2017, exclusive of applicable taxes and disbursements, is \$5,000.

Unification of the Accounting Profession

In September 2015, the unification of Canada's accounting profession into one single national body was finalized. As a result, MNP's banner has changed from Chartered Accountants to Chartered Professional Accountants.

AUDITOR INDEPENDENCE

In accordance with our firm's policy, and the Rules of Professional Conduct governing our profession, neither MNP nor any of its engagement team, nor any MNP partners, are permitted to have any relationship with the District that would impair independence or give that appearance. As auditors, we are required to annually discuss our independence with the Board, to disclose, in writing, all relationships between the auditor and the District that may reasonably be thought to bear on our independence, and to confirm our independence and objectivity.

CONFIRMATION OF INDEPENDENCE

We are not aware of any relationships between our Firm and the District during the that, in our professional judgment, may reasonably be thought to bear on our independence. We hereby confirm that we are independent auditors with respect to the District.

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. At the completion of our audit, we will reconfirm our independence.

We look forward to discussing with you the matters addressed above. We will be prepared to answer any questions you may have regarding our independence, as well as any other matters of interest to you.

Sincerely,

MNP LLP

MNP LLP
Chartered Professional Accountants

/gmr