



**City of Maple Ridge
Audit and Finance Committee
MEETING AGENDA**

Wednesday, January 20, 2021 at 10:30 am
Held virtually including the Blaney Room

Meeting Access Information

Due to COVID-19 the Audit and Finance Committee meeting will be held via Zoom teleconference. Participants are asked to join the meeting using the following access information:

Join the meeting from your computer, tablet or smartphone

<https://mapleridge-ca.zoom.us/j/93919150309?pwd=S210cWN6U0o0M1VMWUU0RjkSHplZz09>

Or join the meeting by phone

Dial: 778-907-2071 Meeting ID: **939 1915 0309** Passcode: **188676**

1. **CALL TO ORDER**
2. **APPROVAL OF THE AGENDA**
3. **ADOPTION OF MINUTES – N/A**
4. **DELEGATIONS – N/A**
5. **NEW AND UNFINISHED BUSINESS**
 - 5.1. **Role of the Audit and Finance Committee**
Overview of the Committee's Terms of Reference
 - 5.2. **Selection of Committee Chair**
 - 5.3. **Fee for Service Agreements Review**
Discussion on scheduling and scope of work
 - 5.4. **2021 Meeting Schedule**
Consideration of proposed 2021 Committee meeting schedule
 - 5.5. **2020 Audit Planning**
Overview of the 2020 Audit by external auditor, BDO Canada LLP
6. **QUESTION PERIOD**

7. NOTICE OF CLOSED MEETING

The meeting will be closed to the public pursuant to Sections 90 (1) and 90 (2) of the *Community Charter* as the subject matter being considered relates to the following:

Section 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].

Any other matter that may be brought before the Committee of Council that meets the requirements for a meeting closed to the public pursuant to Sections 90 (1) and 90 (2) of the *Community Charter* or *Freedom of Information and Protection of Privacy Act*.

8. ADJOURNMENT

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.

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**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.



mapleridge.ca

CITY OF MAPLE RIDGE

| | | |
|-----------------|--|---------------------------------------|
| TO: | His Worship Mayor Michael Morden and Members of Council | MEETING DATE: January 12, 2021 |
| FROM: | Chief Administrative Officer | FILE NO: 05-1880-20 |
| | | MEETING: Workshop |
| SUBJECT: | Fee for Service Agreements | |

EXECUTIVE SUMMARY:

The City has a number of programs in place that allow local community groups and non-profit organizations to access funding. These include Community Grants, Festivals, and Operating Agreements all of which are reviewed by Council either annually or at each agreement renewal. There are also fee for service agreements where an initial funding request is approved by Council and then forwarded to the appropriate department to manage. Funding decisions in this last category have not been regularly revisited by Council and are the subject of this report.

RECOMMENDATION:

For information only.

DISCUSSION:

a) Background Context

There are a number of local community groups and non-profit organizations that receive funding from the City through various mechanisms as follows:

- Local Not for Profit Groups or community charitable organizations can apply for funding through the City's Community Grant Program which offers a small pool of funding each year. The allocation of funding for Community Grants is guided by Council Policy No. 5.56 and any allocation of funding provided through this program is reviewed and approved by Council.
- The City partners with a number of community groups to provide festivals and other celebrations throughout the year and provides some financial support through the Festivals Funding Program. The allocation of funding for Festivals is guided by Council policy No. 4.22 and any allocation of funding provided through this program is reviewed and approved by Council.
- The City has partnered with other groups for the provision of services, the terms of which are set out in operating agreements that are approved by Council at each

renewal. Examples of organizations that have entered into operating agreements with the City include the Ridge Meadows Seniors Society and the Golden Ears Winter Club.

- There are also a few community groups that receive annual funding where the initial funding request was approved by Council and then forwarded to the department closest to the work done by the group to manage. This follows the process outlined in Council's Financial Support Process Policy No. 5.49 (Attachment A)

As the funding decisions for this last category have not been regularly revisited by Council, they are the focus of this report. An overview of some of the decisions made by Council in past years and information about groups that receive funding through this avenue is provided.

History

In 2002, following a request for emergency funding from the Alouette River Management Society (ARMS), staff were asked to investigate ARMS and other stewardship groups as fee for service agreement systems.

In February 2003, staff introduced a decision making framework for use in guiding the evaluation of requests for funding received by the City. Council directed that work presented be continued and that any funding requests received in 2003 be evaluated using the decision making framework.

In March 2003, Council adopted Financial Support Process Policy No. 5.49 (see Attachment A) that directed requests for financial support to the appropriate operating department for evaluation and discussion with Council as part of business planning.

Also, in March of 2003 Council approved financial support totalling approximately \$160,000 and directed that fee for service agreements be established as appropriate. The report is attached for your reference (see Attachment B), and provides an overview of when the concept of Fee for Service Agreements managed by departments was formalized by the City.

The next section provides an overview of the various organizations that receive funding through Fee for Service Agreements, and an overview of the services they provide. Some of the original funding decisions predate the policy approach adopted in 2003.

Current Funding Recipients

Alouette River Management Society (ARMS)

ARMS is a local stewardship group formed in 1993 dedicated to protecting and improving the Alouette Watershed and the surrounding areas. ARMS looks to achieve their objectives through activities such as education, habitat restoration and lobbying for the protection of aquatic habitat. Following an initial request for emergency funding in 2002, Council approved funding of \$10,000 in 2003 with the Planning Department designated as responsible for managing the funding agreement with the City. In 2009, annual funding was increased to \$20,000 through the business planning process. ARMS provides Council with an annual update on their activities. Councillors Meadus and Robson are the Council delegates to the group.

Adopt-a-Block

The Maple Ridge Adopt-a-Block Program is a volunteer based initiative that envisions a cleaner, healthier, litter free City. They have been receiving annual funding from the City since at least

1998, and in 2014, the program merged with ARMS. The City currently provides \$25,000 in annual funding for the Adopt-a-Block program and through its integration with ARMS, Councillors Meadus and Robson serve as delegates to this group as well through its association with ARMS.

Kanaka Education and Environmental Partnership Society (KEEPS)

KEEPS mission is to maintain the health of Kanaka Creek watershed's natural ecosystems through education, community involvement, scientific research, land preservations and partnerships based on stewardship principles. Council approved funding of \$10,000 in 2003 with the Planning Department designated as responsible for managing the funding agreement with the City. In 2009, annual funding was increased to \$20,000 through the business planning process. KEEPS provides Council with an annual update on their activities. There are no Council delegates appointed to KEEPS at this time.

Ridge Meadows Youth Justice / Restorative Justice

The Ridge Meadows Youth and Justice Advocacy Association – Youth Conference Committee was formed in 1994 with the purpose of keeping first time young offenders from becoming repeat offenders. The Province provided some initial funding for the program, but declined to support the organization beyond its first year. In 1996, the City was approached with a request for funding in order to keep the program operational. Since then, the original vision of a focus on youth has evolved into a restorative justice model under the MRPM Community Services umbrella, and in 2018 age restrictions were eliminated. The City has provided annual funding since at least 1999, with \$15,800 provided in 2020. There have been presentations to Council about the program, but they do not appear to have occurred on a regular basis. The agreement between the City and the Restorative Justice group outlines expectations and reporting back requirements.

Ridge Meadows Search and Rescue

Ridge Meadows Search & Rescue (RMSAR) is a local volunteer group that responds to calls from local law enforcement to wilderness and urban searches and rescues with much of their work taking place in Golden Ears Provincial Park. In 1995, the Council of the day authorized a fee for service agreement between the City and RMSAR in recognition of the fact that Maple Ridge received valuable service from the group and that Provincial Funding did not cover their costs. The City's financial contribution is set at 25% of certain of their annual expenditures and capped each year. For 2020 that cap is set at \$18,000. In addition, the City owns the building RMSAR occupies. RMSAR has provided Council with updates on their activities in the past, but has not done so for a number of years. The agreement between the City and RMSAR outlines expectations and reporting back requirements.

Community Network Coordinator

In 2011, the City adopted a policy to guide the use of revenues received from the local gaming facility. That policy included a provision of \$75,000 for Neighbourhood Initiatives and Social Capital. Since 2012, the City has achieved the Social Capital aspect of this allocation through supporting the cost of the Community Network Coordinator and currently provides \$30,000 annually. The Community Network brings together a number of service providers and not-for-profit agencies to facilitate the development of continuous, cohesive and responsive social services for the community. Expectations are outlined in a Memorandum of Understanding (MOU) and there is an annual process in place of reporting back to staff on progress to date.

MRPM Katzie Community Network Pathways

In late 2018, the Ridge Meadows Division of Family Practice approached the City looking for support to maintain and update an application they had developed (Pathways) to help citizens search for community supports. In February 2019, Council approved annual funding of \$5,700 for three years to provide for additional hours for the Community Network Coordinator to update the program. Funding for this initiative is provided from gaming revenues. The agreement is to be reviewed at the end of the three year term.

Seniors Network

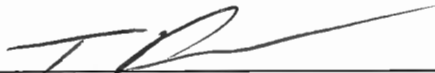
The Seniors Network (SN) is a grass roots planning table that support seniors living in Maple Ridge. The SN was initially funded through the United Way and was impacted by a United Way decision in 2015 to eliminate funding of Lower Mainland Seniors Planning Tables. Locally the SN support the implementation of the City's Age Friendly Strategy. During the 2018 business planning process Council approved an incremental request to provide annual funding of \$25,000 to the SN from annual gaming revenues. Expectations are outlined in an MOU and there is an annual process in place of reporting back to staff on progress to date.

CONCLUSION:

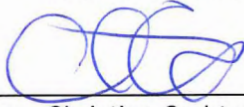
This report is intended to provide an overview of how Council's Financial Support Process policy was developed and funding decisions made by Council in prior years to provide annual funding through fee for service agreements managed by operating departments.



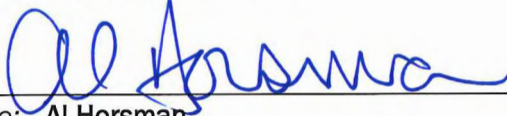
Prepared by: Catherine Nolan, CPA, CGA
Corporate Controller



Reviewed by: Trevor Thompson, BBA, CPA, CGA
Director of Finance



Approved by: Christina Grabtree
GM: Corporate Services



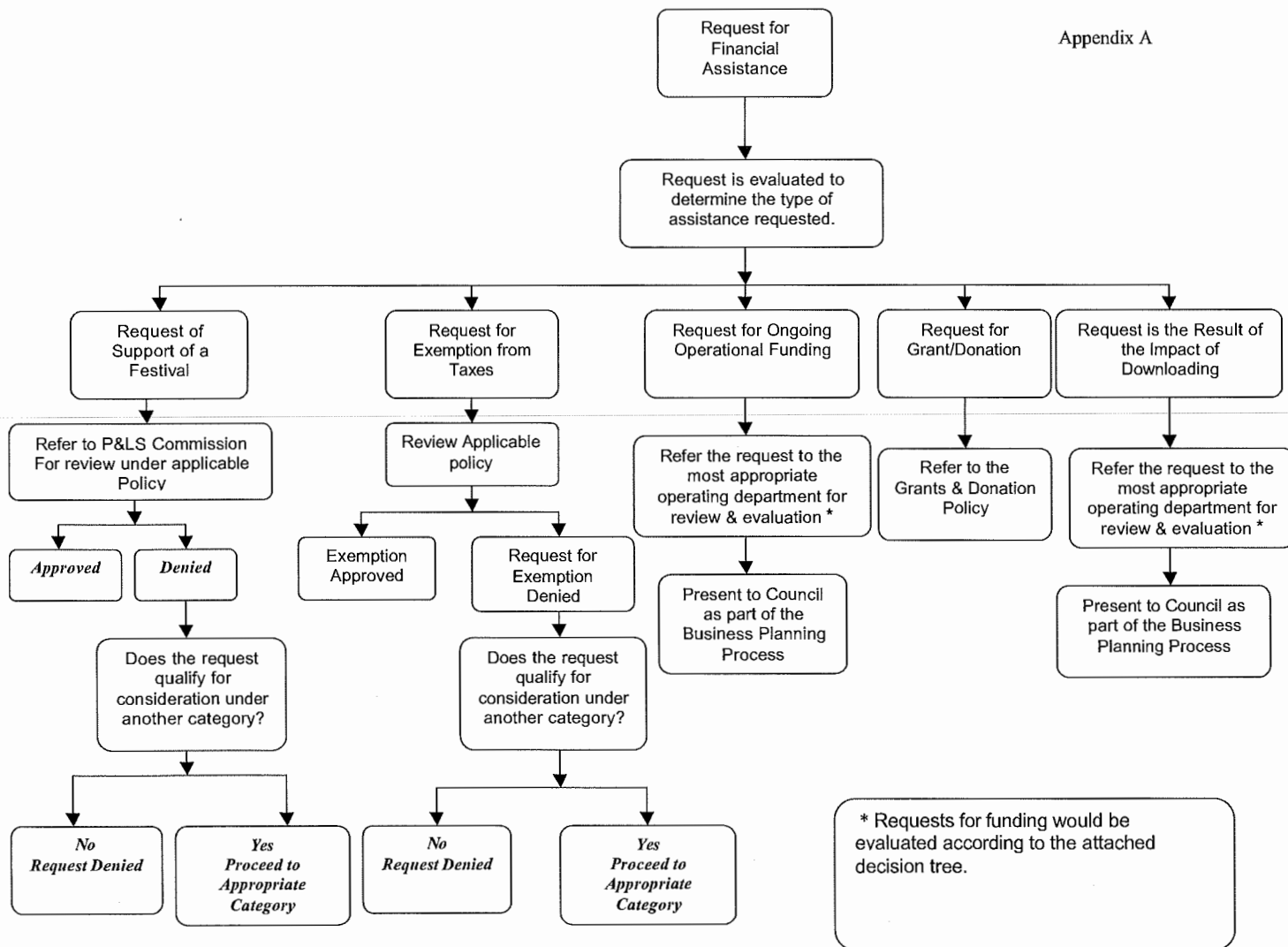
Concurrence: Al Horsman
Chief Administrative Officer

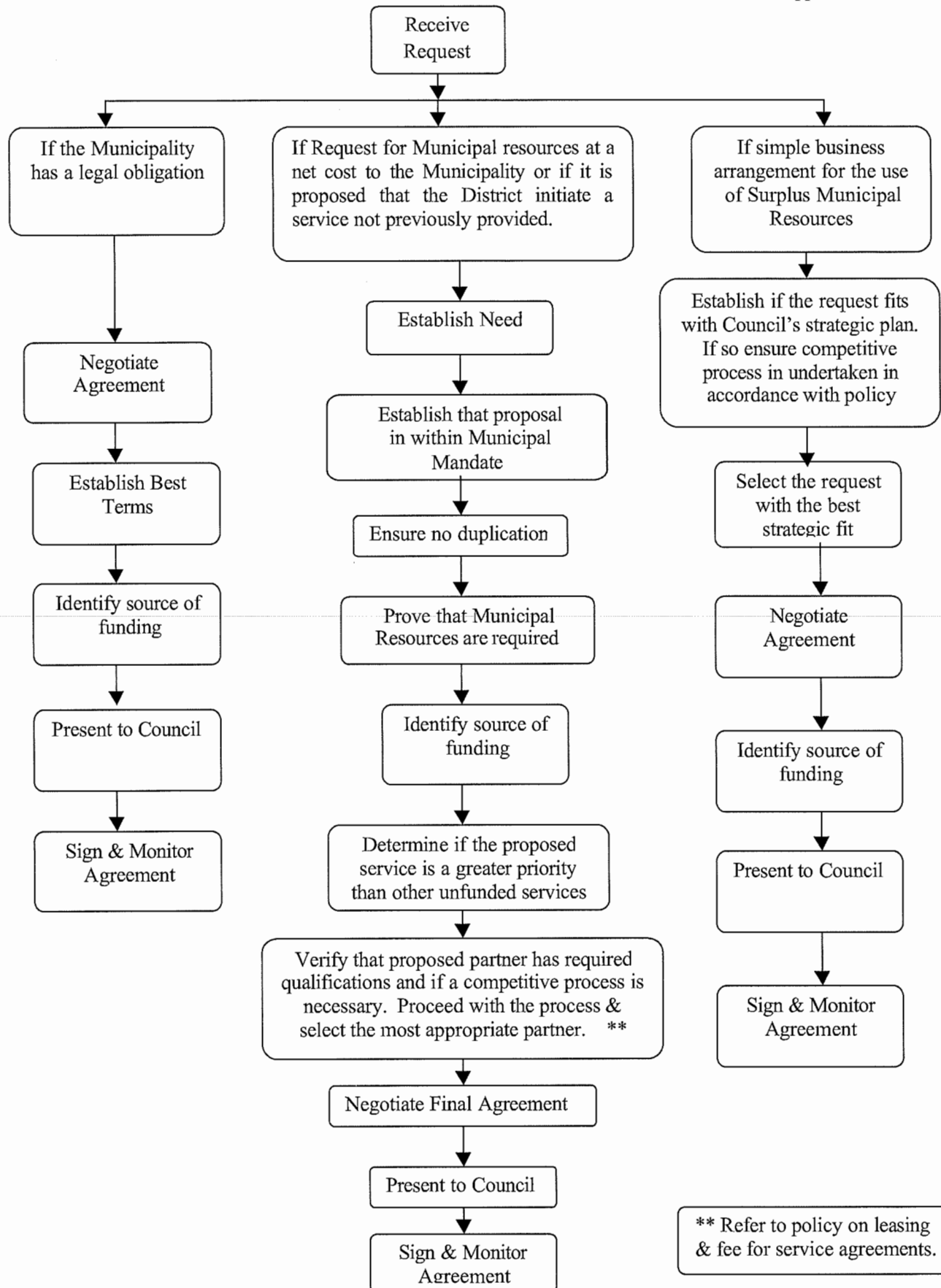
Attachments:

- (A) Policy No. 5.49 Financial Support Process
- (B) RTC: Grants & Donations/Fee for Service Process Policy March 11, 2003

POLICY STATEMENT**District of Maple Ridge**

| | |
|---|--|
| Title: Financial Support Process | Policy No : 5.49 Supersedes No. NEW |
| Authority: <u>Council</u> Approval: <u>March 25, 2003</u> | Effective Date: <u>March 26, 2003</u> |
| Policy Statement: Requests for financial assistance will be directed to the appropriate operating department for evaluation against existing applicable policies using the attached decision trees. The results of these evaluations will be presented to Council as part of the regular business planning process. | |
| Purpose: Requests for financial support should be evaluated using a standard process to ensure the best use is made of available budget dollars earmarked for such community support. | |
| Definitions: Grant: Temporary assistance provided to an organization, to be reviewed annually. Fee for Service Agreement: An agreement between the municipality and an organization the specifies what the organization will accomplish in return for the financial support it receives. | |





CORPORATION OF THE DISTRICT OF MAPLE RIDGE

TO: Her Worship Mayor Kathy Morse
and Members of Council
FROM: Chief Administrative Officer
SUBJECT: Grants & Donations / Fee for Service Process Policy

DATE: March 11, 2003
FILE NO:
ATTN: C of W

EXECUTIVE SUMMARY

The municipality is receiving an increased number of requests for financial support and has limited budget capacity to meet those requests. Further, we do not have a standard policy in place for evaluating such requests.

RECOMMENDATION(S):

That:

1. The Financial Support Process Policy attached to the staff report entitled "Grants & Donations/Fee for Service Process Policy" dated March 11, 2003 be approved.
2. That requests for financial support totalling \$160,054 be approved for 2003, as shown on Attachment 1 of the staff report dated March 11, 2003 and that fee for service agreements be established as appropriate.

DISCUSSION:

a) Policy Process:

i. Issue Identification:

We do not have a policy in place for responding to requests for financial assistance. Requests are responded to as they are received throughout the year. As a result Council does not have the opportunity to compare and evaluate existing and new requests against each other.

ii. Underlying Issues:

The municipality does not have the capacity to provide financial support to all of the groups seeking assistance. As more and more organizations are experiencing reductions in the level of support that they receive from senior levels of government we can expect an increase in the number of requests for financial support received by the municipality. Many local individuals and businesses already support various local organizations, but it cannot be assumed that they have the capacity to bridge the gap between current and required funding levels. Given these factors it is likely that the demands made of the funds set aside to provide support for various groups will exceed the amount available.

iii. Information Collection:

At the present time some of the organizations that receive financial support from the municipality have entered into agreements that formalize what the organization intends to accomplish, and provides a mechanism for the groups to report their accomplishments back to the municipality.

iv. Information Collection (Cont'd.):

Not all current recipients of funding have entered into formal agreements. As such, there is a risk that once financial support is initially granted, it will be continued without a periodic review. A proper review procedure would ensure that the goals of the funding recipients are in line with Council's strategic plan and would provide the organizations with the opportunity to report their successes and achievements to Council.

The attached decision trees propose a policy process that requests for financial support should follow. Appendix A is an overview of **how** requests for financial assistance would be handled. Appendix B shows the process that would be used for **evaluating** the requests. This process would ensure that all requests are evaluated against the appropriate existing policy (grants & donations, tax exemptions etc) using the same process and would be presented to Council as part of the business planning presentations.

v. Policy Alternatives:

We could continue to operate as we have in the past without a policy to direct the evaluation of requests for financial support, but this is not recommended.

As per Council direction of February 3, 2003 this proposed policy was applied to existing financial support arrangements and new requests. A summary of the results of this review is attached with recommendations as to appropriate funding levels and responsible departments. Additional details are available in the Finance department. Pending approval from Council, fee for service agreements should be developed where appropriate.

It should be noted that a total of \$282,254 in financial assistance was requested and \$160,054 is recommended for payment. The 2003 budget is \$165,054, which provides Council with some room for unforeseen items that may come up throughout the year.

b) Desired Outcome(s):

The desired outcome of the proposed policy is to ensure that local organizations requesting financial support from the Municipality are evaluated using a standard process to ensure equitable consideration.

c) Business Plan/Financial Implications:

The 2003-07 Financial plan includes a provision to allow for Municipal support of local organizations. This process will determine how those budget dollars can best be allocated to support the community. At the present time some budget provisions rest in the Legislative Services section of the budget, others rest in the various operational areas. It would be our intent to reallocate the Legislative Services grant amounts to the appropriate operational areas.

CONCLUSIONS:

As local governments are increasingly being asked to bridge the gaps created by cutbacks from senior levels of government it is important to ensure that the best use is made of limited municipal resources. This policy is designed to allow Council to evaluate requests for financial assistance in a manner that will allow them to make the best decisions for the community.

Prepared by: **Catherine Nolan**
Accountant II

Approved by: **Paul Gill, B.B.A, C.G.A, F.R.M**
General Manager: Corporate & Financial Services

Concurrence: **J.L. (Jim) Rule**
Chief Administrative Officer

| Organization | Dollar Value | Recommendation | Division Responsible |
|---|------------------|--|----------------------|
| EXISTING GRANTS & FEE FOR SERVICE AGREEMENTS | | | |
| Friends in Need Food Bank | \$ 10,000 | No change | Legislative Svc |
| Adopt A Block | \$ 15,000 | No change | Bylaws |
| Communities in Bloom | \$ 7,500 | Reduction of \$4,600 | Parks |
| RM Youth & Justice | \$ 15,800 | Increase of \$3,000 | RCMP |
| Search & Rescue | \$ 8,154 | No change | RCMP |
| Tourism | \$ 55,000 | Increase of \$15,000 | Economic Development |
| NEW ITEMS | | | |
| Maple Ridge Foundation | \$ 12,500 | Requested \$25,000 | Legislative Svc. |
| Bear Aware | \$ 0 | Requested \$10,000 | |
| FCM | \$ 1,000 | Requested \$ 1,000 | Legislative Svc |
| Health Issue Manual | \$ 0 | Requested up to \$15,000 | |
| Pitt Meadows Airport | \$ 10,000 | Requested \$30,000. Further analysis needed before funds released. | Economic Development |
| Salvation Army | \$ 5,100 | Balance of request achieved via tax exemption | Legislative Svc. |
| ARMS | \$ 10,000 | Requested \$50,000 | Planning |
| KEEPS | \$ 10,000 | Requested \$10,000 | Planning |
| Total | \$160,054 | | |

Meeting Dates:

- Wednesday January 20 - 10:30 am to 11:30 am
- Monday April 19 - 1:30 pm to 3:00 pm
- Friday June 25 - 1:30 pm to 3:00 pm
- Monday October 18 - 1:30 to 3:00 pm

Notes:

- Due to COVID-19 meetings will be held virtually including the Blaney Room, Maple Ridge City Hall until further notice.
- Meeting dates, times and locations are subject to change
- Additional meetings may be added as required
- 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.

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CITY OF MAPLE RIDGE

AUDIT PLANNING REPORT TO THE AUDIT AND FINANCE COMMITTEE

For its meeting on January 20, 2021

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EXECUTIVE SUMMARY

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



Your BDO Audit Team

Brian Szabo, CPA, CA will continue to serve as engagement partner with Mario Piroddi CPA, CA as the quality review partner. Marjorie Mercado, CPA, CA will be the engagement manager for the current year. Brian and Marjorie will be supported by experts as deemed necessary. Please refer to [page 3](#) for contact information of the key engagement team members.



Timeline

See the [Audit Timeline](#) section of the report for the detailed milestones.



Audit Risk Area

Our audit is focused on risks specific to your business and key accounts. Specifically, we have identified the following areas on which to focus:

- ▶ Recognition of grant revenue
- ▶ Management override of internal controls
- ▶ Employee future benefits
- ▶ COVID-19 disclosures



Materiality

For the purposes of our audit, we have set our initial estimate of materiality at \$3 million, based on 2% of the City’s budgeted expenses, with a specific materiality level of \$20.5 million, based on 2% of the City’s tangible capital assets.

Our materiality calculation is based on the City’s budgeted and prior year results. We will re-evaluate this amount based on actual results and, should they vary significantly from those used to calculate preliminary materiality, we will communicate these changes to Committee as part of our year-end communication.



Engagement Objectives

Our overall responsibility is to form and express an opinion on the financial statements. The performance of this audit does not relieve management or those charged with governance of their responsibilities.



Fraud Discussion

Through our planning process, and prior years’ audits, we have developed an understanding of your oversight and fraud risk assessment processes. We are not currently aware of any fraud affecting the City or changes in your operations that would give rise to additional fraud risk. Please see [Appendix B](#) for clarification of the auditor’s responsibilities for detecting fraud.

If you are aware of changes to processes or are aware of any instances of actual, suspected or alleged fraud affecting the City, we request that you provide us with this information.

YOUR DEDICATED BDO AUDIT TEAM

In order to ensure effective communication between the Committee and BDO Canada LLP, the contact details of the engagement team are outlined below. We attempt to provide continuity of service to our clients to the greatest extent possible in accordance with mandated partner rotation rules. When rotation is required for key members of the engagement team, we will discuss this matter with the Committee and determine the appropriate new individual(s) to be assigned to the engagement based on particular experience, expertise and engagement needs.

| 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 | 250.434.4062 | mpiroddi@bdo.ca |
| Marjorie Mercado, CPA, CA | Assurance Manager | 604.646.6513 | mmercado@bdo.ca |
| Darren Taylor, CPA, CA | Tax Partner | 604.443.4725 | dtaylor@bdo.ca |
| Amanda Fu | Audit Senior | 604.646.6227 | afu@bdo.ca |

AUDIT TIMELINE

The following schedule outlines the anticipated timing of the audit of the financial statements of the City.

As part of the year end Committee meeting, we will provide the Committee with a copy of our draft audit opinion, discuss our findings, including significant estimates utilized by management, accounting policies, financial statement disclosures, and significant transactions completed during the year. We will also report any significant internal control deficiencies identified during our audit and reconfirm our independence.

Planning and interim
fieldwork

• November 9 - 18, 2020

Presentation of Audit
planning report

• January 20, 2021

Final audit fieldwork

• March 8 - 19, 2021

Clearance meeting with
management and BDO

• April 2021 (tentative)

Present final report to
Committee

• May 2021 (tentative)

Release of Independent
Auditor's Report

• Upon approval of the financial
statements by Council and
completion of remaining
procedures

SIGNIFICANT AUDIT CONSIDERATIONS AND PLANNED RESPONSES

Based on our knowledge of the City's business, our past experience, and knowledge gained from management and the Committee, we have identified the following significant risks; those risks of material misstatement that, in our judgment, require special audit consideration.

Significant risks arise mainly because of the complexity of the accounting rules, the extent of estimation and judgment involved in the valuation of these financial statement areas, 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 Committee has identified.

| AREAS OF FOCUS | RISKS NOTED | AUDIT APPROACH |
|--|--|--|
| Fraudulent revenue recognition (rebuttable risk) Recognition of Grant Revenue | <p>Although 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.</p> <p>Accounting standards are complex and subject to potential misinterpretation. There is a risk that these charges and grants are not appropriately calculated and recorded in accordance with the relevant accounting standard.</p> | <p>Grant funding received will be confirmed through a review of agreements, which ensures that the amounts recorded exist. We will also ensure the revenue is recorded accurately in accordance with the settlement of any stipulations.</p> |
| Management Override of Internal Controls (Mandatory audit consideration) | <p>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.</p> | <p>Testing of journal entries, review of significant transactions recorded in various ledgers for unusual, non-recurring adjustments not addressed by other audit procedures, retrospective review of estimate, evaluating business rationale of significant unusual transactions.</p> |
| Employee Future Benefits | <p>A complex area that requires much estimation and reliance on actuarial experts.</p> | <p>We will review actuarial reports and audit the significant assumptions.</p> <p>We will directly communicate with the external actuaries.</p> |

| AREAS OF FOCUS | RISKS NOTED | AUDIT APPROACH |
|--|---|---|
| Impacts of COVID 19 on the operations of the City | COVID-19 continues to impact economies and organizations worldwide. Specific risks that may impact the City include: IT security risks to due increased use of technology for work-from-home; risks relating to increased EFT use; electronic approvals through e-mail, and other electronic controls; risk to health of employees working on-site. | <p>We recognize that there may continue to be an impact on the way the City and we conduct business at the time of our audit and will be prepared to conduct our audit remotely as was done for the audit of the 2019 financial statements. There may be an impact on the nature of our procedures and on our time budget.</p> <p>We will update our documentation of all processes where controls have been impacted by increased use of technology or other adaptations resulting from COVID-19. We will adapt our control testing to incorporate tests of relevant controls that have been altered to accommodate remote work.</p> <p>We will make enquiries of management to determine steps taken to address increased risks relating to IT and work-from-home and test the design and implementation of any additional controls incorporated to address significant risks identified.</p> |

MATERIALITY



Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in 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 include an assessment of both quantitative and qualitative factors and can be affected by the size or nature of a misstatement, or a combination of both.

Preliminary materiality was determined to be \$3 million, based on approximately 2% of the City's budgeted expenses. For items related to the City's infrastructure, a "specific materiality" will be used which is expected to be approximately \$20.5 million based on 2% of the City's tangible capital assets.

Our materiality calculation is based on the City's budgeted and prior year results. In the event that actual results vary significantly from those used to calculate preliminary materiality, we will communicate these changes to the Committee as part of our year end communication.

We will communicate all corrected and uncorrected misstatements identified during our audit to the Committee, other than those which we determine to be "clearly trivial". Misstatements are considered to be clearly trivial for purposes of the audit when they are inconsequential both individually and in aggregate.

We are required under professional standards to request that management correct any misstatements identified throughout the audit process.

FEES

We estimate our fees for 2020 will be \$42,700 for the audit of the financial statements based on the Audit Service Agreement dated November 14, 2019.

Our estimated fees are based on the time expected to complete the audit and excludes taxes, out of pocket expenses, internal administration fees, and are based upon the following assumptions:

- ▶ We will be provided with the requested audit schedules, working papers and descriptions of accounting systems and processes as detailed in our annual requirements letter upon the commencement of fieldwork;
- ▶ The draft financial statements, including notes, are prepared to a standard suitable for audit with all balances reconciled to the underlying accounting records;
- ▶ There will be minimal adjusting entries; and
- ▶ The nature of the City's operations remain consistent with the prior year and there have been no changes in accounting personnel.
- ▶ There are no unexpected matters of an accounting, auditing, or reporting nature arising subsequent to the date of this report.

In the event that we incur additional charges or we experience delays in completing the audit, we will advise management. In particular, we will inform management and will take all necessary steps to minimize time relating to changes in timing, scope of work or efficiency of document transfer relating to remote audit work due to risks relating to COVID-19 as described in the Significant Audit Considerations, and will agree with management on additional fees, if any, before invoicing.

AUDIT SERVICES THAT DIFFERENTIATE BDO FROM OUR COMPETITORS

Although BDO and our larger competitors share many similarities, including our national and international structures, services and use of techniques and tools to manage engagements, it is *how we deliver our services* that truly differentiate us from our competition.

We offer clients the full service expertise of a national firm, while maintaining a local community focus. This local presence combined with our partner to staff ratio creates the following key differentials that make us an excellent fit for our clients:

- ▶ Our philosophy of “Big Enough to Know, Small Enough to Care” is paramount to our service model.
- ▶ BDO is deliberately structured to allow one partner to every 6 staff (1:6). This means easy access to senior staff and the “Partner in Charge” of the audit as well as a quick turnaround on any questions.
- ▶ Our partner-driven approach allows us to have our partners involved throughout each stage of the audit. This ensures that we identify and resolve issues on a timely basis and provides you with a senior-level contact to address your concerns.
- ▶ One of our strengths that goes beyond the typical audit process is our use of in-field reviews. The benefit of these in-field reviews is that final decision makers are on site ensuring issue resolution prior to leaving the field. This guarantees that queries are cleared quickly so files are closed in a timely manner.

APPENDICES

Appendix A: BDO Audit Strategy

Appendix B: Responsibilities

Appendix C: Engagement Letter

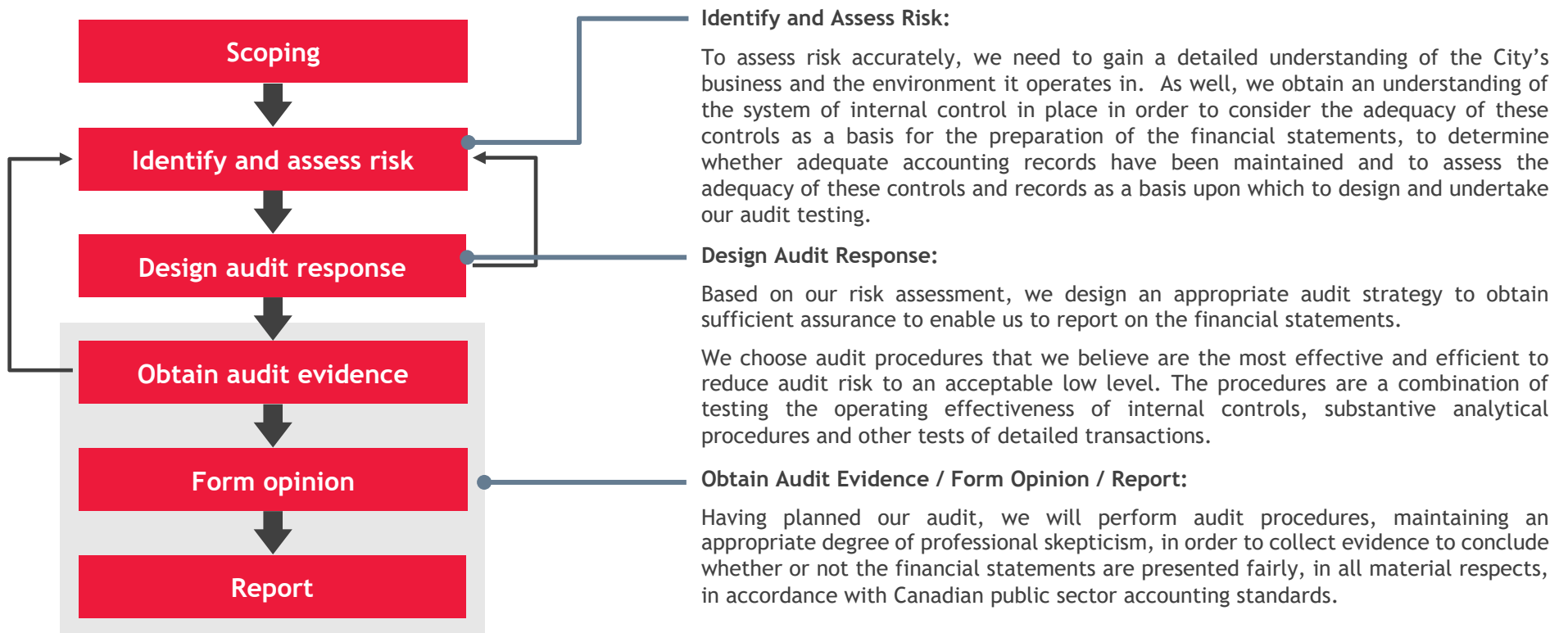
Appendix D: BDO Resources

Appendix E: Changes in Accounting Standards with Potential to Affect the City

APPENDIX A: BDO AUDIT STRATEGY

Our overall audit strategy involves extensive partner and manager involvement in all aspects of the planning and execution of the audit and is based on our overall understanding of the City.

We will perform a risk-based audit which allows us to focus our audit effort on higher risk areas and other areas of concern for management and the Committee.



APPENDIX B: RESPONSIBILITIES

It is important for the Committee to understand the responsibilities that rest with the City and its management, those that rest with the external auditor, and the responsibilities of those charged with governance. BDO's responsibilities are outlined below and within the annual engagement letter attached as [Appendix C](#) to this letter. The oversight and financial reporting responsibilities of management and Committee are also summarized below.

AUDITOR'S ENGAGEMENT OBJECTIVES

Our overall objective is to express an opinion as to whether the financial statements present fairly, in all material respects, the financial position, financial performance and cash flows of the City in accordance with Canadian public sector accounting standards.

| Year-End Audit Work | Other Information |
|--|--|
| <ul style="list-style-type: none"> ▶ Work with management towards the timely issuance of financial statements. ▶ Provide timely and constructive management letters. This will include deficiencies in internal control identified during our audit. ▶ Present significant findings to the Committee including key audit and accounting issues, any significant deficiencies in internal control and any other significant matters arising from our work. | <ul style="list-style-type: none"> ▶ Read the other information included in the City's Annual Report to identify material inconsistencies, if any, with the audited financial statements. |
| | Year-Round Work |
| | <ul style="list-style-type: none"> ▶ Consult regarding accounting, commodity tax and other matters as requested throughout the year. |

AUDITOR'S RESPONSIBILITIES FOR DETECTING FRAUD

We are responsible for planning and performing the audit to obtain reasonable assurance that the 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.

Fraud Risk Assessment Procedures

- ▶ Management's assessment of the risk that the 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 in the City; and
- ▶ Management's communication, if any, to employees regarding its view on business practices and ethical behaviour.



Response to Assessed Fraud Risks

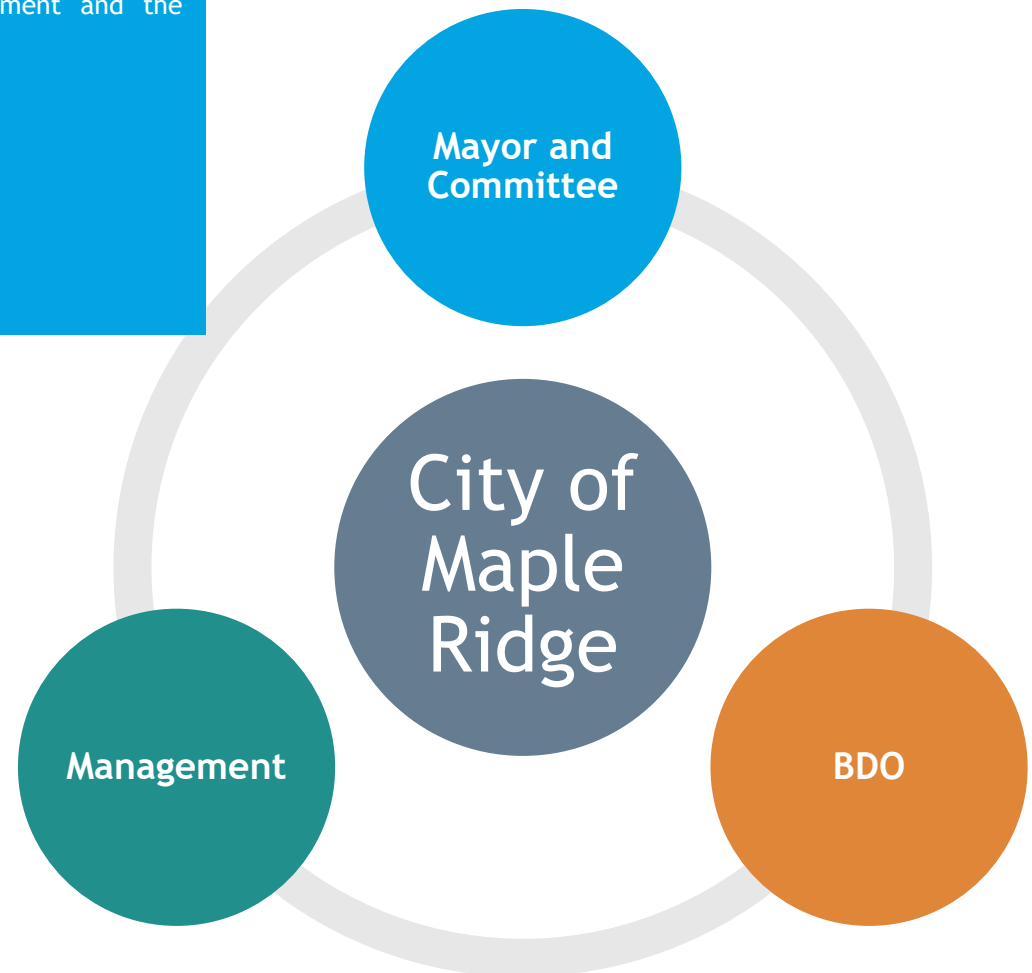
- ▶ Inquire of management, the Committee, and others related to any knowledge of fraud, suspected fraud or alleged fraud;
- ▶ Perform disaggregated analytical procedures and consider unusual or unexpected relationships identified in the planning of our audit;
- ▶ Incorporate an element of unpredictability in the selection of the nature, timing and extent of our audit procedures; and
- ▶ Perform additional required procedures to address the risk of management's override of controls including:
 - Testing internal controls designed to prevent and detect fraud;
 - Testing the appropriateness of a sample of adjusting journal entries and other adjustments for evidence of the possibility of material misstatement due to fraud;
 - Reviewing accounting estimates for biases that could result in material misstatements due to fraud, including a retrospective review of significant prior years' estimates; and
 - Evaluating the business rationale for significant unusual transactions.

MAYOR AND COMMITTEE RESPONSIBILITIES

- ▶ Oversee the work of the external auditor engaged for the purpose of issuing an independent auditor's report.
- ▶ Facilitate the resolution of disagreements between management and the external auditor regarding financial reporting matters.
- ▶ Review the financial statements prior to finalization.

MANAGEMENT RESPONSIBILITIES

- ▶ Maintain adequate accounting records and maintain an appropriate system of internal control for the City.
- ▶ Select and consistently apply appropriate accounting policies.
- ▶ Prepare the annual financial statements in accordance with Canadian public sector accounting standards.
- ▶ Safeguard the City's assets and take reasonable steps for the prevention and detection of fraud and other irregularities.
- ▶ Make available to us, as and when required, all of the City's accounting records and related financial information.



APPENDIX C: ENGAGEMENT LETTER



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Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

November 14, 2019

City of Maple Ridge
Attn. Laura Benson, Corporate Officer
11995 Haney Place
Maple Ridge, BC Canada V2X 6A9

Dear Sirs/Mesdames

We understand that you wish for us to continue as the auditors of the City of Maple Ridge for its fiscal year ended December 31, 2019 and subsequent years.

We are pleased to continue as your auditors subject to the terms and conditions of the Contract for Services dated November 14, 2019 (the "Contract") and this Agreement, to which the attached Standard Terms and Conditions form an integral part. The definitions set out in the Standard Terms and Conditions are applicable throughout this Agreement. This Agreement will remain in place and fully effective for future years until varied or replaced by another relevant written agreement.

Brian Szabo, CPA, CA will be the Engagement Partner for the audit work we perform for you. The Engagement Partner will call upon other individuals with specialized knowledge to assist in the performance of services.

Our Role as Auditors

We will conduct our audit(s) in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements prepared in accordance with Canadian public sector accounting standards (the "Framework") are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by you, as well as evaluating the overall financial statement presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements, whether by fraud or error, may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

In making our risk assessments, we consider internal control relevant to your preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of your internal controls. However, we will communicate to you concerning any significant deficiencies in internal controls relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate matters required by professional standards, to the extent that such matters come to our attention, to you, those charged with governance and/or the board of directors.



Reporting

Our audit will be conducted on the basis that the financial statements have been prepared in accordance with the Framework.

Our independent auditor's report will be substantially in the form set out in Canadian Auditing Standard (CAS) 700. The form and content of our report may need to be amended in the light of our audit findings. If we are unable to issue or decline to issue an audit report, we will discuss the reasons with you and seek to resolve any differences of view that may exist.

Role of Management and Those Charged with Governance

You acknowledge and understand that you have responsibility for:

- (a) the preparation and fair presentation of the financial statements in accordance with the Framework. The audit of the financial statements does not relieve you of your responsibilities;
- (b) such internal controls as you determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (c) providing us with:
 - access, in a timely manner, to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that we may request for the purpose of the audit;
 - unrestricted access to persons within the entity from whom we determine it is necessary to obtain audit evidence;
 - financial and non-financial information (other information) that will be included in document(s) containing financial statements and our audit report thereon prior to the date of our auditor's report. If it is not possible to provide all the other information prior to the date of our auditor's report, you are responsible for provision of such other information as soon as practicable; and
 - written confirmation concerning representations made to us in connection with the audit. If appropriate and adequate written representations are not provided to us, professional standards require that we disclaim an audit opinion.

Tax Services

In addition to the assurance services discussed above, we may be requested by you to prepare corporate tax returns. The returns will be prepared based upon the information supplied by you. We will not audit, review or otherwise attempt to verify the accuracy or completeness of such information. We will utilize the information you have already provided to our assurance engagement team to the extent that the material is available and relevant to the preparation of the returns. It may be necessary for us to request further information.

Our fees for such services will be based on the level of staff providing the service and time required for preparation and review of the returns. To the extent that there are unanticipated



tax issues that require additional research to complete the tax return or should additional work be required on BDO's part to accumulate any schedules, information, calculations, etc., necessary to support the information required to be disclosed in the tax returns, additional fees shall be charged at our standard hourly rates based upon the increased time and expenses incurred by BDO personnel. In addition, the fee quoted does not include services related to responding to notices or inquiries from taxing authorities.

Regardless of any tax return preparation services we provide to you, you will remain responsible for filing your tax returns with the appropriate authorities on a timely basis.

Your returns are, of course, subject to review by the taxation authorities. Any items reassessed against you by the taxation authorities are subject to certain rights of appeal. In the event of any tax audit, we will be available to represent you for a mutually agreed upon fee.

We will discuss with you any filing positions which, if taken, have the potential to give rise to a material adverse assessment or reassessment by the taxing authorities. If such an assessment or reassessment occurs, any additional tax that arises will be your responsibility. In addition, we cannot be responsible for interest and penalties assessed against you in connection with your income tax affairs. Therefore, should any interest or penalty be assessed, they shall be your responsibility.

Our audit is conducted primarily to enable us to express an opinion on the financial statements. The audit process is not designed to provide us with a full understanding of your tax situation and in particular, to allow us to determine whether the entity has specific tax compliance issues. We will, however, provide advice on an ongoing basis on general income tax matters as requested by you. A separate engagement letter may be issued for significant tax projects. To the extent that tax services requested by you are not covered by a separate engagement letter, the terms of this Agreement shall apply to the tax services.

Additional Services

We are available to provide a wide range of services beyond those outlined in this Agreement. To the extent that any additional services that we provide to you that are not provided under a separate written engagement agreement, the provisions of this Agreement will apply to the services.

Fees

Our fees will be in accordance with the Contract, and are subject to receipt of requested working papers on the first day of fieldwork as agreed upon by the City and us and minimal adjusting entries required subsequent to the commencement of fieldwork. Any unanticipated accounting or auditing issues that may arise that result in unbudgeted time being incurred will be discussed with management and a suitable fee estimate agreed to, whenever possible, in advance of significant time being incurred to allow the City to resolve the issue to the extent possible to minimize additional time and cost. Time required to audit the financial statement impact of any new accounting or auditing standards, in particular, the adoption of PS3280 Asset Retirement Obligations, will be estimated and agreed in advance of substantial time being incurred. Any anticipated revision to this time will be discussed with management as such revisions become known.

We will notify you on a timely basis if there are any circumstances we encounter which could significantly affect our initial estimate of professional fees. Our fees will be invoiced and payable as our work progresses.



We reserve the right to suspend our Services if any of our invoices become delinquent. Fees that are not paid within 30 days of an invoice or by a specified payment deadline will be considered delinquent.

Additional information relating to our fees is provided in the Standard Terms and Conditions.

Standard Terms and Conditions

A copy of our Standard Terms and Conditions is attached as Appendix 1. You should ensure that you read and understand them. The Standard Terms and Conditions include clauses that limit our professional liability.

It is a pleasure for us to be of service and we look forward to many future years of association with you.

Yours truly,

BDO Canada LLP

Chartered Professional Accountants

Agreement of all the terms and conditions in this Agreement is hereby acknowledged by:

Laura Benson, Corporate Officer



Appendix 1 - Standard Terms and Conditions

1. Overview and Interpretation

- 1.1 Together with the Contract, this Agreement sets forth the entire agreement between the parties in relation to Services and it supersedes all prior agreements, negotiations or understandings, whether oral or written, with respect to Services. To the extent that any of the provisions of the accompanying letter conflict with these Standard Terms and Conditions, these Standard Terms and Conditions shall prevail. This Agreement may not be changed, modified or waived in whole or part except by an instrument in writing signed by both parties.

- 1.2 In this Agreement, the following words and expressions have the meanings set out below:

This Agreement - these Standard Terms and Conditions, the letter to which they are attached, and any supporting schedules or other appendices to the letter, and any Summary of Services letters issued in future years.

Services - the services provided or to be provided under this Agreement

We, us, our, BDO - refer to BDO Canada LLP, a Canadian limited liability partnership organized under the laws of the Province of Ontario

You, your - the party or parties contracting with BDO under this Agreement, including the party's or parties' management and those charged with corporate governance. You and your does not include BDO, its affiliates or BDO Member Firms

BDO Member Firm or Firms - any firm or firms that form part of the international network of independent firms that are members of BDO International Limited

Confidential Information - information that contains identifying features that can be attributed to you or individual personnel

2. BDO Network and Sole Recourse

- 2.1 BDO is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international network of independent member firms (i.e. BDO Member Firms), each of which is a separate legal entity.
- 2.2 We may use other BDO Member Firms or subcontractors to provide Services; however, we remain solely responsible for Services. You agree not to bring any claim or action against another BDO Member Firm (or their partners, members, directors, employees or subcontractors) or our subcontractors in respect of any liability relating to the provision of Services.
- 2.3 You agree that any of our affiliates, subcontractors, and other BDO Member Firms and any subcontractors thereof whom we directly or indirectly involve in providing Services have the right to rely on and enforce Section 2.2 above as if they were a party to this Agreement.

3. Respective Responsibilities

- 3.1 We will use reasonable efforts to complete, within any agreed-upon time frame, the performance of Services.
- 3.2 You shall be responsible for your personnel's compliance with your obligations under the Contract and this Agreement. We will not be responsible for any delays or other consequences arising from you not fulfilling your obligations.



4. Working Papers and Deliverables

- 4.1 **Ownership** - Any documents prepared by us, or for us, in connection with Services belong solely to us.
- 4.2 **Oral advice and draft deliverables** - You should not rely upon any draft deliverables or oral advice provided by us. Should you wish to rely upon something we have said to you, please let us know and, if possible, we will provide the information that you require in writing.
- 4.3 **Translated documents** - If you engage us to translate any documents, advice, opinions, reports or other work product of BDO from one language to another, you are responsible for the accuracy of the translation work.
- 4.4 **Reliance by Third Parties** - Our Services will not be planned or conducted in contemplation of or for the purpose of reliance by any party other than you and any party to whom the assurance report is addressed. Items of possible interest to a third party will not be addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.
- 4.5 **Consent to use the Report** - Nothing in this Agreement shall be construed as consent to the use of our report in connection with a continuous disclosure document, a public or private offering document, an annual report or any other document and we expressly do not provide such consent. If you request consent for the use of our report, we will consider, at the relevant time, providing consent and any conditions that we may attach to such consent. Our consent must be in writing.
- 4.6 **Consent requests** - In order to provide consent, professional standards require that we read the other information in the related document and consider whether such information is materially inconsistent with the related financial statements. Any consent request must be made on a sufficiently timely basis to allow us to consider your identification and resolution of events occurring in the period since the date of our report, and to obtain updated written representation letters. Such procedures will be performed at your cost and will be documented in a separate engagement letter.

5. Confidentiality

- 5.1 We agree to use Confidential Information provided by you only in relation to the Services in connection with which the information is provided and we will not disclose the information, except where required by law, regulation or professional obligation. We may however, give Confidential Information to other BDO Member Firms or other subcontractors assisting us in providing Services. Any party to whom we subcontract work will be required to keep Confidential Information confidential either by professional obligation or contract with us. Any BDO Member Firms or other subcontractors we use will be bound by the same confidentiality obligations.
- 5.2 BDO shall be entitled to include a description of the work we render to or for you in marketing and research materials and disclose such information to third parties, provided that all such information will be made anonymous and not associated with you. Additionally, we may analyze information on an industry or sector basis for internal purposes or to provide industry/sector wide information to our clients or potential clients. You consent to our using information obtained from you in this way provided that the outputs therefrom will not contain any identifying features that can be attributed to you.

**6. Independence**

- 6.1 Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to our clients in the performance of our Services. We will communicate to you any relationships between BDO (including its related entities) and you that, in our professional judgment, may reasonably be thought to bear on our independence.

7. Offers of Employment

- 7.1 Any discussions that you, or any party acting on your behalf, have with professional personnel of our Firm regarding employment could pose a threat to our independence. Your recruitment of an engagement team member from the current or prior year's engagement may compromise our independence and our ability to render agreed Services to you. Engagement team members may include current and former partners and staff of BDO, other BDO Member Firms and other firms who work under our direction. Therefore, you agree to inform us prior to any such discussions so that you and we can implement appropriate safeguards to maintain our independence.

8. Professional and Regulatory Oversight

- 8.1 As required by legal, regulatory, or professional authorities (both in Canada and abroad) and by BDO policy, our client files must periodically be reviewed by practice inspectors to ensure that we are adhering to professional and BDO standards. It is understood that by entering into this Agreement, you provide your consent to us providing our files relating to your engagement to the practice inspectors for the sole purpose of their inspection.
- 8.2 Certain regulatory bodies may also have the right to conduct investigations of you, including the Services provided by us. To the extent practicable and permitted by law, we will advise you of any such investigation request or order prior to providing our working papers.
- 8.3 You agree to reimburse us for our time and expenses, including reasonable legal fees, incurred in responding to any investigation that is requested or authorized by you or investigations of you undertaken under government regulation or authority, court order or other legal process.

9. Privacy and Consents

- 9.1 You agree we will have access to all personal information in your custody that we require to complete our engagement. We may collect, use, transfer, store, or process such information disclosed by you of a personal nature (personal information). Our Services are provided on the understanding that:
- (a) you have obtained any consents for collection, use and disclosure to us of personal information required under all applicable privacy legislation; and
 - (b) we will hold all personal information in compliance with our Privacy Statement.

10. Electronic Communications

- 10.1 Both parties recognize and accept the security risks associated with email communications, including but not limited to the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Unless you request in writing that we do not communicate by internet email, you assume all responsibility and liability in respect of risk associated with its use.
- 10.2 By signing this agreement, you provide BDO with express consent to communicate with you and your employees, as applicable, electronically, including sending BDO newsletters, publications,



announcements, invitations and other news and alerts that may be of interest to you. You and your employees may withdraw such consent at any time by contacting BDO at www.bdo.ca/unsubscribe.

11. Limitation of Liability

- 11.1 In any dispute, action, claim, demand for losses or damages arising out of the Services performed by BDO pursuant to this Agreement, BDO shall only be liable for its proportionate share of the total liability based on degree of fault as determined by a court of competent jurisdiction or by an independent arbitrator as a result of the dispute resolution procedures, notwithstanding the provisions of any statute or rule of common law which create, or purport to create, joint and several liability.
- 11.2 Our liability shall be restricted to damages of a direct and compensatory nature and shall not include indirect, consequential, aggravated or punitive damages, or damages for loss of profits or expected tax savings, whether or not the likelihood of such loss or damage was contemplated.
- 11.3 You agree that BDO shall in no event be liable to you for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the Services performed hereunder for an aggregate amount of more than the higher of:
- (a) three times the fees paid by you to BDO in the twelve months preceding the incident giving rise to the claim; and
 - (b) \$75,000.

12. Indemnity

- 12.1 To the fullest extent permitted by applicable law and professional regulations, you agree to indemnify and hold harmless BDO from and against all losses, costs (including solicitors' fees), damages, expenses, claims, demands or liabilities arising out of or in consequence of:
- (a) a misrepresentation by a member of your management or board of directors, regardless of whether such person was acting in your interest;
 - (b) the Services performed by BDO pursuant to this Agreement, unless, and to the extent that, such losses, costs, damages and expenses are found by a court of competent jurisdiction to have been due to the negligence of BDO. In the event that the matter is settled out of court, we will mutually agree on the extent of the indemnification to be provided by you, failing which, the matter may be referred to dispute resolution in accordance with the terms of this Agreement.

13. Alternative Dispute Resolution

- 13.1 Both parties agree that they will first attempt to settle any dispute arising out of or relating to this Agreement or the Services provided hereunder through good faith negotiations.
- 13.2 In the event that the parties are unable to settle or resolve their dispute through negotiation, such dispute shall be subject to mediation pursuant to the National Mediation rules of the ADR Institute of Canada Inc. All disputes remaining unsettled for more than 60 days following the parties first meeting with a mediator or such longer period as the parties mutually agree upon shall be subject to arbitration pursuant to the National Arbitration Rules of the ADR Institute of Canada Inc. Such arbitration shall be final, conclusive and binding upon the parties, and the parties shall have no right of appeal or judicial review of the decision. The parties hereby waive



any such right of appeal which may otherwise be provided for in any provincial arbitration statute made applicable under the National Arbitration Rules.

14. Limitation Period

- 14.1 You shall make any claim relating to Services or otherwise under this Agreement no later than one year after you became aware or ought reasonably to have become aware of the facts giving rise to any such claim.
- 14.2 You shall in no event make any claim relating to the Services or otherwise under this Agreement later than two years after the completion of the Services under this Agreement.
- 14.3 To the extent permitted by law, the parties to this Agreement agree that the limitation periods established in this Agreement replace any limitation periods under any limitations act and/or any other applicable legislation and any limitation periods under any limitations act and/or any other applicable legislation shall not alter the limitation periods specified in this Agreement.

15. Québec Personnel

- 15.1 We may sometimes have individual partners and employees performing Services within the Province of Québec who are members of the Ordre des comptables professionnels agréés du Québec. Any such members performing professional services hereunder assumes full personal civil liability arising from the practice of their profession, regardless of their status within our partnership. They may not invoke the liability of our partnership as grounds for excluding or limiting their own liability. The provisions in Sections 11 (Limitation of Liability) and 14 (Limitation Period) shall therefore not apply to limit the personal civil liability of partners and employees who are members of the Ordre des comptables professionnels agréés du Québec.

16. Termination

- 16.1 This Agreement applies to Services whenever performed (including before the date of this Agreement).
- 16.2 You or we may terminate this Agreement at any time upon written notice of such termination to the other party. We will not be liable for any loss, cost or expense arising from such termination. You agree to pay us for all Services performed up to the date of termination, including Services performed, work-in-progress and expenses incurred by us up to and including the effective date of the termination of this Agreement.

17. Fees and Billings

- 17.1 Our estimated fee is based on an assumed level of quality of your accounting records, the agreed upon level of preparation and assistance from your personnel and adherence to the agreed-upon timetable. Our estimated fee also assumes that your financial statements are in accordance with the applicable financial reporting framework and that there are no significant new or changed accounting policies or issues or internal control or other reporting issues. We will inform you on a timely basis if these factors are not in place.
- 17.2 Should our assumptions with respect to the quality of your accounting records be incorrect or should the conditions of the records, degree of cooperation, results of audit procedures, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates.



17.3 Intentionally deleted.

17.4 Intentionally deleted.

17.5 Our accounts are due when rendered and invoiced amounts are deemed to be earned when paid. BDO may suspend the performance of Services in the event that you fail to pay an invoice when it is due. Interest may be charged at the rate of 12% per annum on all accounts outstanding for more than 30 days.

18. Governing Laws

18.1 The terms of our engagement shall remain operative until amended, terminated, or superseded in writing. They shall be interpreted according to the laws of the province or territory in which BDO's principal Canadian office performing the engagement is located, without regard to such province/territory's rules on conflicts of law.

19. Entire Agreement and Survival

19.1 It is understood that this Agreement will not be superseded by any contract with us for other specific services that are not of the same scope as the Services contemplated in this Agreement, unless the other contract explicitly references this Agreement and an intent to supersede it.

19.2 The provisions of this Agreement that give either of us rights or obligations beyond its termination shall continue indefinitely following the termination of this Agreement. Any clause that is meant to continue to apply after termination of this Agreement will do so.

20. Force Majeure

20.1 Intentionally deleted.

21. Assignment

21.1 No party may assign, transfer or delegate any of the rights or obligations hereunder without the written consent of the other party or parties. BDO may engage independent contractors and BDO Member Firms to assist us in performing the Services in this Agreement without your consent.

22. Severability

22.1 If a court or regulator with proper jurisdiction determines that a provision of this Agreement is invalid, then the provision will be interpreted in a way that is valid under applicable law or regulation. If any provision is invalid, the rest of this Agreement will remain effective.

APPENDIX D: BDO RESOURCES

BDO is a leading provider of professional services to clients of all sizes in virtually all business sectors. Our team delivers a comprehensive range of assurance, accounting, tax, and advisory services, complemented by a deep industry knowledge gained from nearly 100 years of working within local communities. As part of the global BDO network, we are able to provide seamless and consistent cross-border services to clients with global needs. Commitment to knowledge and best practice sharing ensures that expertise is easily shared across our global network and common methodologies and information technology ensures efficient and effective service delivery to our clients.

PUBLIC SECTOR RESOURCE CENTRE

BDO Canada has created the Public Sector Resource Centre to assist our clients in navigating the risks and opportunities facing the industry. With topics ranging from governance to CRM systems, from strategic planning to fraud prevention, and from crisis management to commodity taxes, our Resource Centre is available to assist management and boards of Public Sector organizations of all sizes.

Specific resources and articles include “Cloud Priorities and COVID Wave 2”, “Cyber Security for Home Networks” and “How You Can Help Manage Your People As Their Anxieties Rise Amid A Second Wave?”

Please access the Public Sector Resource Centre at the following link:

<https://www.bdo.ca/en-ca/industries/public-sector/overview/>

BDO INSIGHTS

BDO Canada has curated articles on a number of topics and across industries in our BDO Insights page (<https://www.bdo.ca/en-ca/insights/>). Articles can be filtered by industry or service area. In particular, the following topical articles have been added for our public sector clients in relation to the current environment:

- [COVID-19: Financial Reporting Implications for the Public Sector](#)
- [Business Not As Usual: Resuming the Public Sector in the New Normal](#)

Please follow the above links to access the articles.

APPENDIX E: CHANGES IN ACCOUNTING STANDARDS WITH POTENTIAL TO AFFECT THE CITY

The following summarizes the status of new standards and the changes to existing standards as of the fall of 2020. The Appendix also reviews Exposure Drafts, Statements of Principles, Projects and Post Implementation Reviews that provide information on the future direction of CPA Public Sector Accounting Handbook.

NEW STANDARDS NOT YET IN EFFECT

Section PS 3400 Revenue (effective years beginning on or after April 1, 2023 - date revised due to COVID)

This section is related to revenue recognition principles that apply to revenues of governments and government organizations other than government transfers and tax revenue.

The Public Sector Accounting Handbook has two Sections that address two major sources of government revenues, government transfers and tax revenue. Revenues are defined in Section PS 1000, Financial Statement Concepts. Recognition and disclosure of revenues are described in general terms in Section PS 1201, Financial Statement Presentation.

This section addresses recognition, measurement and presentation of revenues that are common in the public sector. It is less complex than the comparable new IFRS standard, although generally consistent in philosophy.

This new Section will be effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted.

Section PS 3280, Asset Retirement Obligations (effective years beginning on or after April 1, 2022 - date revised due to COVID)

This new Section establishes standards on how to account for and report a liability for asset retirement obligations. The main features of the new Section are:

- An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs associated with a tangible capital asset controlled by the entity increase the carrying amount of the related tangible capital asset (or a component thereof) and are expensed in a rational and systematic manner.
- Asset retirement costs associated with an asset no longer in productive use are expensed.
- Measurement of a liability for an asset retirement obligation should result in the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date.
- Subsequent measurement of the liability can result in either a change in the carrying amount of the related tangible capital asset (or a component thereof), or an expense, depending on the nature of the re-measurement and whether the asset remains in productive use.

- A present value technique is often the best method with which to estimate the liability.
- As a consequence of the issuance of Section PS 3280:
 - editorial changes have been made to other standards; and
 - Section PS 3270, Solid Waste Landfill Closure and Post-Closure Liability has been withdrawn.

This Section applies to fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted.

Section PS 3270 will remain in effect until the adoption of Section PS 3280 for fiscal periods beginning on or after April 1, 2022, unless a public sector entity elects earlier adoption.

This is one of the most significant new standards in years and will require considerable staff time in most entities to prepare for compliance. BDO has tools and resources to assist in this regard including our ARO Implementation Checklist.

Section PS 2601, Foreign Currency Translation (effective years beginning on or after April 1, 2022 - date revised due to COVID)

This Section revises and replaces PS 2600, Foreign Currency Translation. The following changes have been made to the Section:

- The definition of currency risk is amended to conform to the definition in PS 3450, Financial Instruments;
- The exception to the measurement of items on initial recognition that applies when synthetic instrument accounting is used is removed;
- At each financial statement date subsequent to initial recognition, non-monetary items denominated in a foreign currency that are

- included in the fair value category in accordance with Section PS 3450 are adjusted to reflect the exchange rate at that date;
- The deferral and amortization of foreign exchange gains and losses relating to long-term foreign currency denominated monetary items is discontinued;
- Until the period of settlement, exchange gains and losses are recognized in the statement of re-measurement gains and losses rather than the statement of operations; and
- Hedge accounting and the presentation of items as synthetic instruments are removed.

The new requirements are to be applied at the same time as PS 3450, Financial Instruments, and are effective for fiscal years beginning on or after April 1, 2022. For the City, this means the year ending December 31, 2023 is the first year that the standard must be followed. Earlier adoption is permitted.

Section PS 3450, Financial Instruments (effective years beginning on or after April 1, 2022 - date revised due to COVID)

This new Section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives.

The main features of the new Section are:

- Items within the scope of the Section are assigned to one of two measurement categories: fair value, or cost or amortized cost.
- Almost all derivatives, including embedded derivatives that are not closely related to the host contract, are measured at fair value.

- Fair value measurement also applies to portfolio investments in equity instruments that are quoted in an active market.
- Other financial assets and financial liabilities are generally measured at cost or amortized cost.
- Until an item is derecognized, gains and losses arising due to fair value re-measurement are reported in the statement of re-measurement gains and losses.
- Budget-to-actual comparisons are not required within the statement of re-measurement gains and losses.
- When the reporting entity defines and implements a risk management or investment strategy to manage and evaluate the performance of a group of financial assets, financial liabilities or both on a fair value basis, the entity may elect to include these items in the fair value category.
- New requirements clarify when financial liabilities are derecognized.
- The offsetting of a financial liability and a financial asset is prohibited in absence of a legally enforceable right to set off the recognized amounts and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.
- New disclosure requirements of items reported on and the nature and extent of risks arising from financial instruments.

The new requirements are to be applied at the same time as PS 2601, Foreign Currency Translation and are effective for fiscal years beginning on or after April 1, 2022. For the City, this means December 31, 2023 is the first year that the standard must be followed. Earlier adoption is permitted. This Standard should be adopted with prospective application except for an accounting policy related to embed derivatives within contracts, which can be applied retroactively or prospectively.

Note also that Narrow Scope Amendments are expected (see below) that will not impact many readers of this Appendix.

Section PS 3041, Portfolio Investments (effective years beginning on or after April 1, 2022 - date revised due to COVID)

This Section revises and replaces Section PS 3040, Portfolio Investments. The following changes have been made:

- The scope is expanded to include interests in pooled investment funds;
- Definitions are conformed to those in PS 3450, Financial Instruments;
- The requirement to apply the cost method is removed, as the recognition and measurement requirements within Section PS 3450 apply, other than to the initial recognition of an investment with significant concessionary terms; and
- Other terms and requirements are conformed to Section PS 3450, including use of the effective interest method.

The new requirements are effective for fiscal years beginning on or after April 1, 2022. For the City, this means the year ending December 31, 2023 is the first year that the standard must be followed. Earlier adoption is permitted.

Financial Instruments Narrow Scope

Amendments

(effective years beginning on or after April 1, 2022 - date revised due to COVID)

As the name implies, these amendments are quite narrow in scope and will not impact many entities.

The amendments are intended to:

- clarify how to deal with financial instruments intended to maintain orderly conditions for the circulation of the Canadian dollar (will impact Federal Government only)
- change treatment of bond repurchases such that will not always be an immediate extinguishment of debt
- clarifies and simplifies certain transitional provisions

An Exposure Draft was issued in January 2019 and a Final Standard was issued in March 2020.

EXPOSURE DRAFTS PENDING**Purchased Intangibles: Narrow Scope Amendments**

This project came together quickly as a result of a submission to the Public Sector Accounting Discussion Group. An Exposure Draft was issued in November 2019 and comments closed January 31, 2020. It is expected that PSAB will approve the amendments in fall 2020.

The main features of these amendments will be to:

- remove the recognition prohibition on purchased intangibles from Section PS 1000;
- remove the disclosure requirements from Section PS 1201 relating to purchased intangibles not recognized; and thus,
- allow for the recognition of purchased intangibles in public sector financial statements.

Public Private Partnerships

This project has been underway since 2014 and is nearing completion. PSAB is currently deliberating feedback received on the exposure draft which closed at the end of February 2020.

The exposure draft recommends the following:

- an asset would be recorded when the public sector entity controls:
 - the purpose and use of the infrastructure;
 - access to the infrastructure; and
 - any significant interest accumulated in the infrastructure when the public private partnership's term ends.

- asset to be recorded at cost/fair value -- usually based on present value of future payments related to construction/acquisition of asset
- record liability at same amount as asset
- liability a financial liability when cash/asset consideration, but if non-financial consideration may be:
 - a non-financial liability such as unearned revenue
 - or if no performance obligations may be immediate recognition of proceeds from grants of rights for use
- where a liability is recorded, it should be reduced as performance obligations are settled
- fairly detailed disclosure requirements

Concepts Underlying Financial Performance

This project includes both the "Conceptual Framework" and "Reporting Model" related to it. It is also nearing completion with an Exposure Draft expected in January 2021.

The existing Conceptual Framework found in Sections PS 1000, Financial Statement Concepts and PS 1100, Financial Statement Objectives will be replaced by 10 new chapters. Because the Conceptual Framework is used to develop generally accepted accounting principles (GAAP) but is not considered GAAP itself, there is not expected to be immediate impact from the introduction of the Conceptual Framework. It will, however, influence future Standards development so it is important that the concepts and principles be understood and considered.

Further a new Reporting Model will come along to amend and/or replace PS 1201, Financial Statement Presentation. It is expected that the new Reporting Model will allow better flexibility for application of PSAS to financial statements of government organizations and general improvements to aid understanding of financial statements. In particular, potential options for presentation of endowment investments and related fund balances.

CONSULTATION PAPERS AND INVITATIONS TO COMMENT

Review of International Strategy

On May 5, 2020, PSAB voted to approve “Option 2 - Adapt IPSAS principles when developing future standards,” as described in Consultation Paper 2, “Reviewing PSAB’s Approach to International Public Sector Accounting Standards.” This decision resulted from extensive consultation with Canadian stakeholders. The Board initiated the project through its 2017-2021 Strategic Plan, “Review of PSAB’s Approach to International Public Sector Accounting Standards.”

Option II: Adapt IPSAS principles when developing future standards. PSAB would continue to develop PSAS, but future standards would be based on principles in existing individual IPSAS as each is considered by PSAB. The Board would establish a “Criteria for Modifying Principles” document to provide guidance on when departures from IPSAS principles in a standard under consideration are permitted. The Board’s conceptual framework and financial reporting model would continue as the foundation for Canadian public sector generally accepted accounting principle (GAAP). So, a departure from principles in an individual IPSAS would be required if they conflict with the Board’s framework or model. Changes to GAAP under this option would occur prospectively, and the Board’s due process would be modified to incorporate the Criteria for Modifying Principles. Given that future PSAS would be based on principles in existing individual IPSAS, there

would be an increased focus toward influencing the principles under development for new IPSAS.

Government Not-for-Profit Strategy

When government not-for-profits were brought into the PSA Handbook they were given the option of applying PSAS standards or PSA standards in conjunction with the “4200 Series” of standards that mirror Part III of the CPA Handbook. It was always recognized that the 4200 Series was likely a stop-gap measure with additional NPO-specific standards being brought into the “regular” PSA Handbook. The need to review the GNFP strategy become more urgent with several provinces mandating that their organizations not use the 4200 series.

This is a difficult area because of the fact that many GNFPs operate quite differently than governments do and therefore do not fit well into a government financial reporting model. Moreover, not-for-profit organizations that are not government controlled follow different standards than GNFPs do (particularly those GNFPs that do not use 4200 series) which makes comparisons between some entities difficult.

PSAB has recognized the issues facing the GNFP sector and has created a GNFP Strategy Committee to guide it through a process of developing improved guidance for GNFPs. Retired BDO partner Bill Cox is the Chair of this committee. The committee issued its first Consultation Paper in May 2019 which was mostly fact-finding. A second consultation paper will be issued in January 2021 which will include options and a recommended strategy. The recommendation will be for GNFPs to go “full PSAS” but that as part of this process the existing PS 4200 standards will be reviewed on a standard by standard basis. Each existing 4200 standard will either be brought in to amend or supplement PSA standards or be discarded.

Employment Benefits

The existing Employee Benefits standards in PS 3250, Retirement Benefits and PS 3255, Post-employment Benefits are some of the older standards currently existing in the PSA Handbook. Quite frankly, they have not kept pace with the changes that have occurred in the industry. New concepts such as "Target-Benefit Plans" and "Shared-Risk Plans" do not fit in neatly to existing standards.

In recognition of the wide scope of review required to modernize these standards, PSAB had broken initial review into three different sections:

- Deferral Provisions (Invitation to Comment issued in November 2016)
- Discount Rate Guidance (Invitation to Comment issued in November 2017)
- Non-Traditional Pension Plans (Invitation to Comment issued in October 2018)

However, in late 2019 all projects in this area were curtailed for re-evaluation.

In mid-2020 the project was rebooted with a revised approach. The revised approach focuses on addressing the previously identified key issues using a multi-release strategy. Given the reboot, it is too early to predict where this project might be headed.