



Village of Lions Bay

Audit report to the Mayor and Council for the
year ended December 31, 2022

START



To the Mayor and Council of Village of Lions Bay

We are pleased to provide you with this report to highlight and explain key issues which we believe to be relevant to the audit of Village of Lions Bay (the “Organization”) financial statements for the year ended December 31, 2022.

The enclosed report includes our approach to your audit, including: significant risks identified, the nature, extent, timing, and results of our audit work, and the terms of our engagement. We will also report any significant internal control deficiencies identified during our audit and confirm our independence.

During the course of our audit, management made certain representations to us—in discussions and in writing. We documented these representations in the audit working papers.

The business environment has changed for us all during the time of COVID-19. Cash flow, strategy, operations: each has received a rethink. As your auditors, we have relied on our digital audit suite to stay connected—among ourselves, with management, and with you.

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

Yours truly,

BDO Canada LLP
April 16, 2024

DRAFT



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Audit at a glance

We determined materiality to be \$135,000 for the year ended December 31, 2022.

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

We communicated all corrected and uncorrected misstatements identified during our audit to the Mayor and Council, other than those which we determined to be "clearly trivial."

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



Paul Fripp
Email: pfripp@bdo.ca
Direct: +1 (778) 947-1215



December 2022



April 2024

Auditor's responsibilities: financial statements

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

- ▶ Present significant findings to the Mayor and Council including key audit and accounting issues, any significant deficiencies in internal control and any other significant matters arising from our work.
- ▶ Provide management letters, which includes deficiencies in internal control identified during our audit.
- ▶ Consult regarding accounting, income taxes, and reporting matters as requested throughout the year.
- ▶ Read the other information included in the Village of Lions Bay's Annual Report to identify any material inconsistencies with the audited financial statements.
- ▶ Identify and assess the risks of material misstatement due to fraud.
- ▶ Obtain sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses.
- ▶ Respond appropriately to fraud or suspected fraud identified during the audit.





Auditor's responsibilities: fraud risks

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.

Behind the audit report



Learn how we audit your financial statements

[SEE OUR PROCESS](#)



Auditor's responsibilities: fraud risks

During the audit, we performed risk assessment procedures and related activities to obtain an understanding of the entity and its environment, including the Organization's internal control, to obtain information for use in identifying the risks of material misstatement due to fraud and made inquiries regarding:

- ▶ 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 Organization, 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 Village of Lions Bay; and
- ▶ Management's communication, if any, to employees regarding its view on business practices and ethical behavior.

We are not aware of any fraud affecting the Organization. If you are aware of any instances of actual, suspected, or alleged fraud, please let us know.

Status of the audit

We have substantially completed our audit of the year ended December 31, 2022 financial statements, pending completion of the following items:

- ▶ Receipt of signed management representation letter
- ▶ Receipt of outstanding legal confirmations up to the audit report date
- ▶ Receipt of all final approved minutes up to the audit report date
- ▶ Subsequent events review through up to the audit report date
- ▶ Approval of financial statements by the council

We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the financial statements are free from material misstatement. See [Appendix A](#) for our draft independent auditor's report.



Audit findings

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the Organization's accounting practices, including accounting policies, accounting estimates and financial statements disclosures. We look forward to exploring these topics in depth and answering your questions. A summary of the key discussion points are below:

Financial statement areas	Risks noted	Audit findings
Significant		
Management override of internal controls (Mandatory audit consideration)	Management is in a unique position to perpetrate fraud because of management's ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. This included consideration of: <ul style="list-style-type: none"> • Segregation of duties within the Village's financial reporting and banking systems. • Changes in management and council in late 2022 and the subsequent period. 	We reviewed transactions recorded in the various ledgers for unusual or non-recurring adjustments not addressed by other audit procedures. We reviewed transactions recorded subsequent to year end for unusual or non-recurring adjustments which could have an impact on the 2022 financial statements. We tested the design of controls over the execution and approval of journal entries and tested a sample of journal entries recorded. We reviewed the processes in place concerning the disbursement of funds, and the provisioning and deprovisioning of users within the Village's banking system. Review of legal invoices and final approved open and closed council and committee meeting minutes. All audit testing in this area was executed with no issues to be reported.



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Audit findings

Financial statement areas	Risks noted	Audit findings
Significant		
Unauthorized payments to management or council members	Due to turnover in management and council as well as identified delays in deprovisioning of terminated users from the Villages banking system, there exists a risk that unauthorized payments to senior officers and council members may occur.	<p>Review of legal invoices and final approved open and closed council and committee meeting minutes.</p> <p>We investigated unusual payments made to key management personnel within the organization.</p> <p>We reviewed transactions recorded subsequent to year end for unusual or non-recurring adjustments which relate to transactions or payments made to management and council in 2022.</p> <p>Increased substantive testing of expenditures recorded in the general ledger between October to December 2022.</p> <p>Reconciled the final pay period report and payment to the general ledger. Reviewed the report for any unusual payroll transactions.</p> <p>Tested severance payments and accruals recorded in the general ledger to supporting documentation.</p> <p>All audit testing in this area was executed with no issues to be reported.</p>
Risk of fraudulent revenue recognition (Rebuttable audit risk area)	Under Canadian auditing standards, we are required to consider whether there is a risk of material misstatement due to fraudulent revenue recognition in all audits. Based on our understanding of the Village's significant revenue streams, we have rebutted this as a significant risk. We assess this potential risk annually with respect to revenue as accounting standards over revenue recognition are complex and subject to variation in application.	<p>Grant funding recorded was assessed through a review of agreements to ensure revenue was recorded accurately in accordance with the settlement of any stipulations. We also performed separate testing of cash receipts against revenue recognition accounting standards.</p> <p>All audit testing in this area was executed with no issues to be reported.</p>



Internal control matters

During the audit, we performed the following procedures regarding the Organization's internal control environment:

- ▶ Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- ▶ Discussed and considered potential audit risks with management.

We considered the results of these procedures in determining the extent and nature of audit testing required.



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

A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that merits the attention of those charged with governance.

The audit expresses an opinion on the Organization's financial statements. As a result, it does not cover every aspect of internal controls—only those relevant to preparing the financial statements and designing appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

No control deficiencies were noted throughout most of 2022 that, in our opinion, are of significant importance to discuss. However, we encourage Management and Council to review matters raised in Appendix C: Management Letter concerning deficiencies noted in the subsequent period.

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Adjusted and Unadjusted differences

Summary of adjusted differences

The following is a summary of adjusted differences noted during the course of our audit engagement:

	Increase (Decrease)			
	Assets	Liabilities	Equity	Net income
To record liability for estimated severance accrual	\$ -	\$ 40,000	\$ -	\$ (40,000)
To adjust the overstated depreciation.	27,186	\$ -	\$ -	\$ 27,186
Total adjusted differences	\$ 27,186	\$ 40,000	\$ -	\$ (12,814)

Summary of unadjusted differences

The following is a summary of unadjusted differences noted during the course of our audit engagement:

	Increase (Decrease)			
	Assets	Liabilities	Equity	Net income
To accrue interest expense on debt as at December 31, 2022	\$ -	\$ 11,842	\$ (11,922)	\$ 80
Total unadjusted differences	\$ -	\$ 11,842	\$ (11,922)	\$ 80

Summary of disclosure omissions

There are no disclosures that have not been made within the financial statements.



Other required communications

Professional standards require independent auditors to communicate with those charged with governance certain matters in relation to an audit. In addition to the points communicated within this letter, the attached table summarizes these additional required communications.

Issue	BDO response
1. Our responsibilities under Canadian Auditing Standards (CAS)	Included in our engagement letter dated December 9, 2022
2. Our audit strategy and audit scope	See page 5
3. Fraud risk factors	See page 6
4. Going concern matters	None noted
5. Audit adjustments	See page 12
6. Unadjusted differences	See page 12
7. Omitted disclosures	None noted
8. Disagreements with management	There were no disagreements with management
9. Consultations with other accounts or experts	Communicated with external actuaries with no issues noted during our audit



Other required communications (cont'd)

Issue	BDO response
10. Significant deficiencies in internal control	No control deficiencies were noted throughout most of 2022 that, in our opinion, are of significant importance to discuss. However, we encourage Management and Council to review matters raised in Appendix C: Management Letter concerning deficiencies noted in the subsequent period.
11. Significant difficulties encountered during the audit	Difficulties were encountered obtaining final approved meeting minutes and details of discussions held at those meetings concerning council and committee meetings held since November 2022. Please see our management letter for our observations and recommendations.
12. Material written communication between BDO and management	No material written communications were noted
13. Any relationships which may affect our independence	No independence issues noted
14. Any illegal acts identified during the audit	No illegal activities identified through the audit process
15. Any fraud or possible fraudulent acts identified during audit	No fraud or possible fraudulent acts identified during the audit
16. Significant transactions with related parties no consistent with ordinary business operations	None noted
17. Non-compliance with laws or regulations identified during the audit	We note that the Village has not met its financial reporting deadline with the Province of British Columbia, largely arising from employee turnover and delays in providing us with our audit requests. Please see our management letter for our observations and recommendations.
18. Limitations of scope over our audit, if any	None noted
19. Written representations made by management	See Appendix B
20. Any modifications to our opinion, if required	None noted. Please see our draft independence auditor's report included in Appendix A



How we audit financial statements: Our audit process

IDENTIFY AND ASSESS RISK

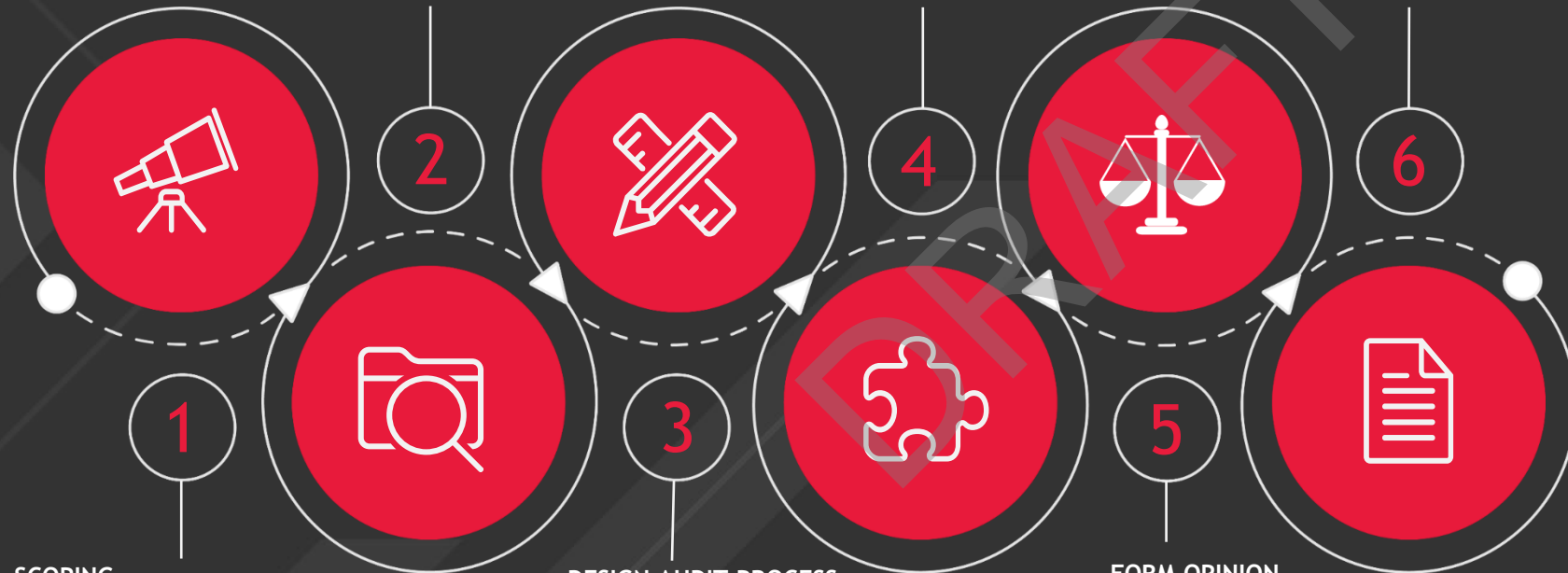
Focus on those areas of financial statements that contain potential material misstatements as a consequence of the risks you face

OBTAIN AUDIT EVIDENCE

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

REPORT

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



SCOPING

Complete a preliminary review to plan the audit, determine the materiality level, and define the audit scope

DESIGN AUDIT PROCESS

Design an appropriate audit strategy to obtain sufficient assurance and enable us to report on the financial statements

FORM OPINION

Evaluate whether we have enough evidence to conclude that the financial statements are free from material misstatement, and consider the effect of any potential misstatements found

New Standard for Audit Quality



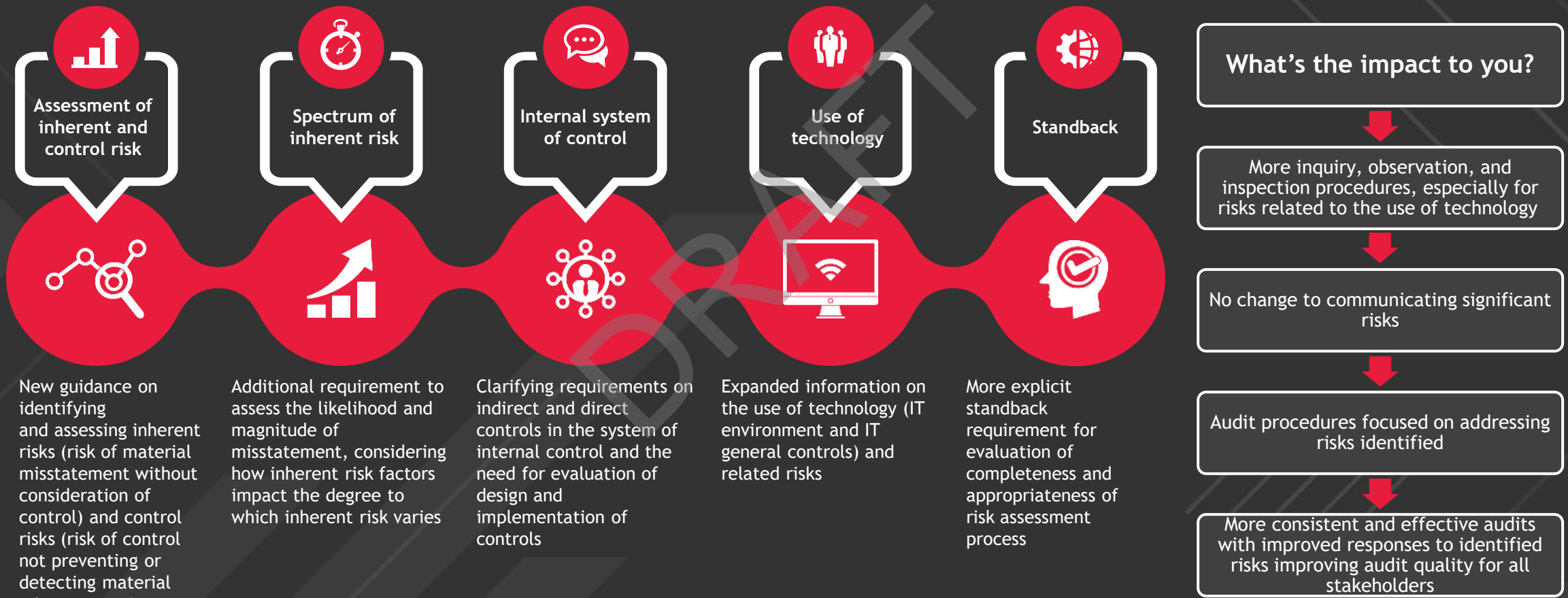
ISQM 1

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

[SEE THE STANDARD](#)

Updates to our audit process

Canadian Auditing Standard 315, *Identifying and Assessing the Risks of Material Misstatement*, was significantly revised with a greater focus on more robust risk identification, assessment and response procedures. The standard is effective for periods beginning on or after December 15, 2021. Key enhancements include:



Our audit approach: Responsiveness in action

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

Our audit process differs from the typical audit in our use of in-field reviews, subject to COVID-19 safety protocols. The benefit of these in-field reviews is that final decision-makers are on site ensuring issues are resolved and files closed quickly.

We offer clients the full-service expertise of a national firm. Yet we maintain a local community focus. The comprehensive range of services we deliver is complemented by a deep industry knowledge gained from over 100 years of working within local communities.



Discover how we're accelerating audit quality



Audit Quality Report

We collected our core beliefs around audit quality, the very practical steps we take to sustain it, and the progress we have made to accelerate its quest.

[Follow our progress](#)

BDO's digital audit suite

Our digital audit suite of technologies enables our engagement teams to conduct consistent risk-based audits, both domestically and internationally, with maximum efficiency and minimal disruption to our clients' operations and people.



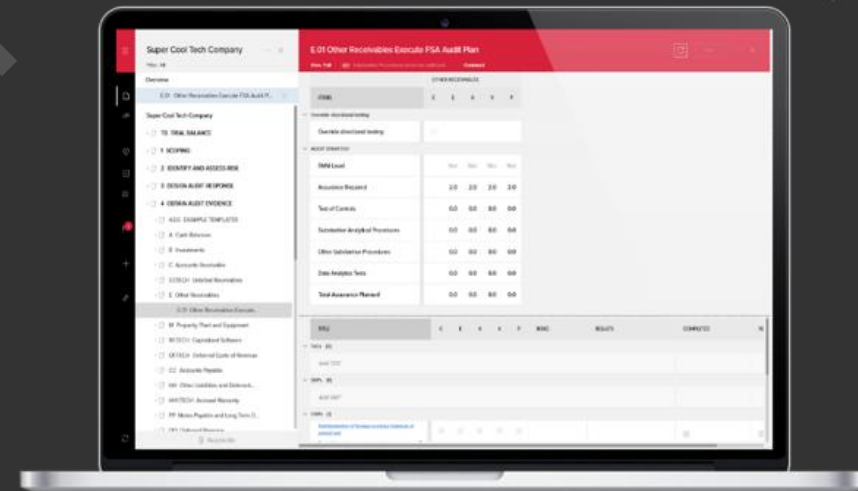
APT Next Gen

Our audit software and documentation tool, APT, is an integral part of our audit methodology. Our professionals engage APT to devise and perform appropriate, risk-based audit procedures and testing based on applicable Canadian Auditing Standards (CASs), as well as to factor in engagement and industry-specific objectives and circumstances.

APT enables us to deliver an audit that fits your organization—whether large or small; complex or basic.

This sophisticated tool also amplifies two key attributes of our audits: consistency and quality. The quality framework that we developed measures our audit performance with hard quality indicators and reflects our indispensable culture for quality. To see our audit quality and consistency in action, look no further than how our teams share best audit practices for continuous improvement.

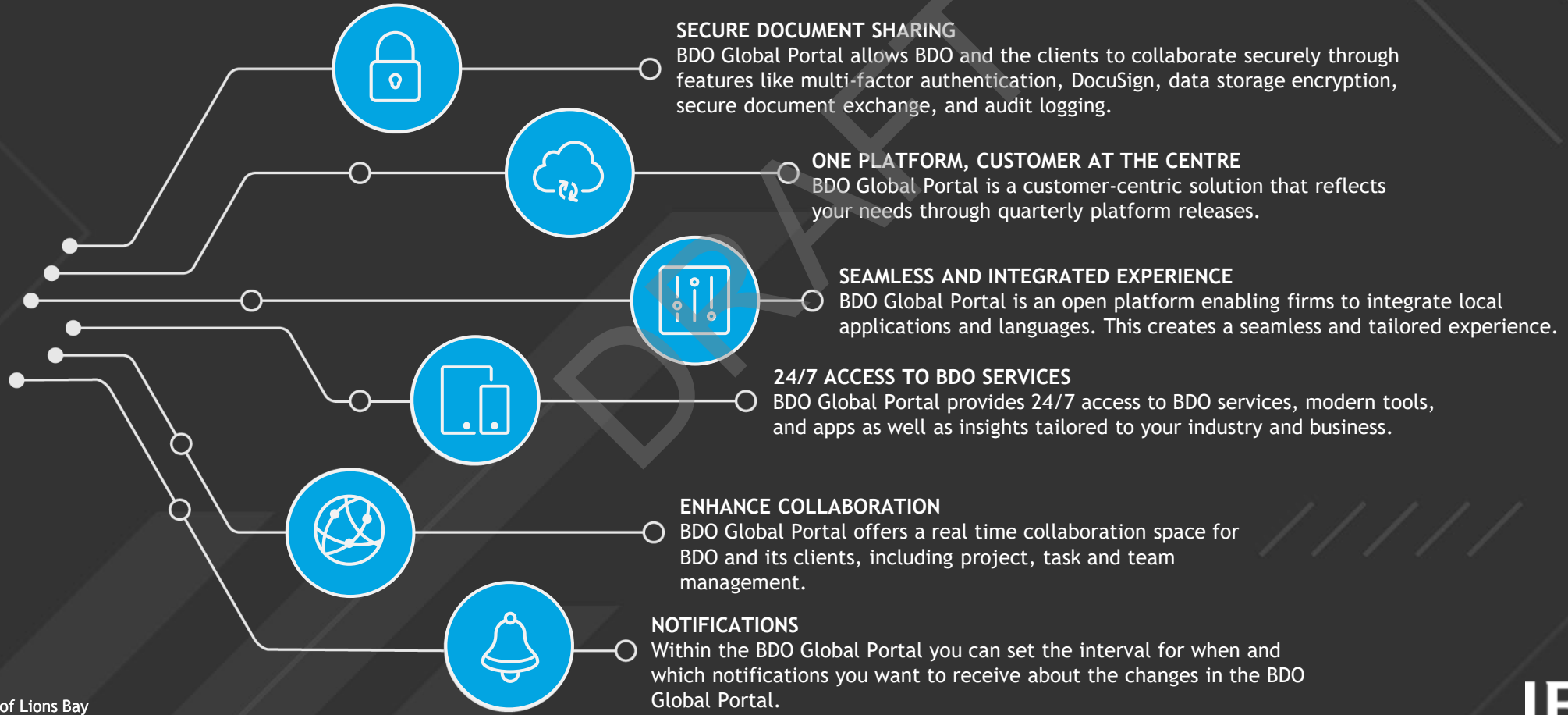
Through a strategic alliance with Microsoft and the introduction of new technology, this global, cloud-based application can now streamline and focus the audit process in even more ways for BDO professionals and their clients.





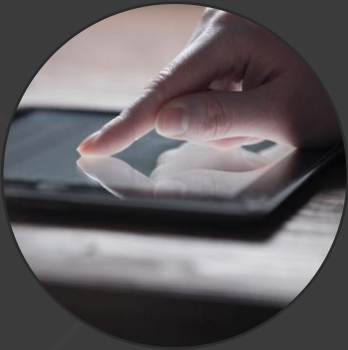
BDO Global Portal

BDO Global Portal transforms and enhances your digital experience with your BDO advisors. Available at any time, Portal enables you to access all services, tools, apps, and information and to collaborate with your advisors in a seamless way through a flexible, appealing, and secure environment.



Recommended resources

Key changes to financial reporting



When the rules of reporting change, you may need to fine-tune how to present financial statements and govern the organization.

[ACCESS OUR KNOWLEDGE CENTRE](#)

2023 Federal Budget



Understand the key elements of the 2023 Federal Budget and how it will impact you and your business

[STAY ON TOP OF TAXES](#)

7 powerful steps to financial audit readiness



Getting and staying prepared for an audit simplifies the process, cuts turnaround time, and improves your chances of overall success. Learn how you can be audit ready.

[7 STEPS](#)

Asset Retirement Obligations (ARO): A Practical Approach to Section PS 3280



This publication will walk through a practical approach to applying Section PS 3280 including: identification, recognition and measurement of an obligation, and the different options available to entities on transition.

[READ ARTICLE](#)

Spotlight on sustainability

Fast-moving world events are pushing sustainability up the agenda of Canadian organizations. Now organizational leaders, investors, and customers are responding on three fronts: environmental, social, and governance (ESG).

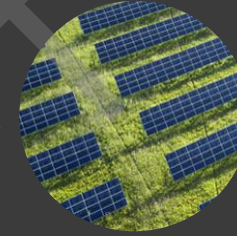
Regulators and issuers of standards are doing their part by supporting sustainability in the reporting ecosystem. Increasingly, organizations will need to go beyond the financials—and demonstrate sustainability with non-financial metrics.

5 reasons why businesses should care about ESG



[SEE 5 REASONS](#)

How climate change became a business issue worth reporting



[READ ARTICLE](#)

10 Questions about sustainability reporting



[EXPLORE QUESTIONS](#)

Accounting for going green



[LEARN MORE](#)

Why CFOs should make sustainability a part of their financial reporting today



[BUILD BACK SUSTAINABLY](#)

Rethinking sustainability: the ESG roadmap



[SEE ROADMAP](#)

Appendices

- ▶ Appendix A: Independent auditor's report
- ▶ Appendix B: Representation letter
- ▶ Appendix C: Management letter
- ▶ Appendix D: Independence letter

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Appendix A: Independent auditor's report

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Independent Auditor's Report

To the Mayor and Council of the Village of Lions Bay

Opinion

We have audited the financial statements of the Village of Lions Bay (the "Village"), which comprise the Statement of Financial Position as at December 31, 2022 and the Statements of Operations, Changes in Net Financial Assets and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Village as at December 31, 2022 and the results of its operations, changes in net financial assets, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Village in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Village's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Village, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Village's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally-accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally-accepted auditing standards we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 the Village's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Village's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Village to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Vancouver, British Columbia
[Audit Report Date]



Appendix B: Representation letter

DRAFT

[Audit Finalization Date]

BDO Canada LLP
Chartered Professional Accountants
Unit 1100 - Royal Centre
1055 West Georgia Street
Vancouver, BC V6E 3P3

This representation letter is provided in connection with your audit of the financial statements of Village of Lions Bay for the year ended December 31, 2022 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian Public Sector Accounting Standards.

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

Financial Statements

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated December 9, 2022, for the preparation of the financial statements in accordance with Canadian Public Sector Accounting Standards; in particular, the financial statements are fairly presented in accordance therewith.

- The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and/or disclosure that are reasonable in accordance with Canadian Public Sector Accounting Standards.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian Public Sector Accounting Standards.
- All events subsequent to the date of the financial statements and for which Canadian Public Sector Accounting Standards require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- We have reviewed and approved all journal entries recommended by the auditor during the audit. A list of the journal entries is attached to the representation letter.

Information Provided

- We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Fraud and Error

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.

General Representations

- Where the value of any asset has been impaired, an appropriate provision has been made in the financial statements or has otherwise been disclosed to you.
- We have provided you with significant assumptions that in our opinion are reasonable and appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity when relevant to the use of fair value measurements or disclosures in the financial statements.
- We confirm that there are no derivatives or off-balance sheet financial instruments held at year end that have not been properly recorded or disclosed in the financial statements.
- Except as disclosed in the financial statements, there have been no changes to title, control over assets, liens or assets pledged as security for liabilities or collateral.
- The entity has complied with all provisions in its agreements related to debt and there were no defaults in principal or interest, or in the covenants and conditions contained in such agreements.
- There have been no plans or intentions that may materially affect the recognition, measurement, presentation or disclosure of assets and liabilities (actual and contingent).
- The nature of all material uncertainties have been appropriately measured and disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate

will change in the near term and the effect of the change could be material to the financial statements.

- There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the entity, except as disclosed in the financial statements.

Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. When applicable, these litigation and claims have been accounted for and disclosed in the financial statements.
- We will provide to you, when available and prior to issuance by the entity, the final version of the document(s) comprising the annual report.
- During January 2023, we identified that the former CAO Peter Dejong was not removed from the signing authority on file with Scotia Bank in a timely manner following his termination on December 16, 2022, and that cheques were only required to be signed by a single signing officer to authorize disbursement with Scotia Bank, despite the Village's internal policy to require dual signatories on all disbursements. As a result, the Village conducted a review of disbursements to identify any cheques with only a single signatory and cheques signed by the former CAO Peter Dejong after his termination date. No instances were identified. In January 2023, we removed the former CAO Peter Dejong as a signing officer and modified instructions with Scotia Bank to require dual signatories on all cheques to conform with the Village's internal policies.
- We have provided you with all of the Village's final and approved council and committee meeting minutes unless otherwise disclosed to you. Where we were unable to provide you with meeting minutes, we have disclosed all significant matters to you.

Yours truly,

Signature and Position

Date

Signature and Position

Date



Appendix C: Management letter

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BDO Canada LLP
Unit 1100 - Royal Centre
1055 West Georgia Street
Vancouver, BC V6E 3P3

April 16, 2024

Village of Lions Bay
PO Box 141
400 Centre Road
Lions Bay, British Columbia V0N 2E0

Dear Mr. Joe Chirkoff, Financial Officer

During the course of our audit of the financial statements of the Village of Lions Bay for the year ended December 31, 2022, we identified matters which may be of interest to management. The objective of an audit is to obtain reasonable assurance whether the financial statements are free of any material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. Accordingly an audit would not usually identify all such matters.

The responsibility for producing financial statements and ensuring adequate internal controls and sound business practices is the responsibility of Council through management and is a part of management's overall responsibility for the ongoing activities of the Village. Policies and procedures developed by the Village to safeguard its assets and to provide reasonable assurance that errors and irregularities or illegal acts are promptly identified, must be properly monitored to ensure that all staff are complying with the guidelines provided. Where we determined, from our testing, that there exists a need for improvement in existing systems of internal control or if we detected that the Village's staff are not complying with the critical accounting policies and procedures provided by management, we increased our year-end testing of account balances to ensure that audit risk was kept to an appropriately low level.

The comments and concerns expressed herein did not have a material effect on the Village's financial statements and, as such, our opinion thereon was without reservation. However, in order for the Village to ensure the safeguarding of its assets and the accuracy of its records, we believe our comments and concerns should be taken into consideration by management. Our comments are not intended to reflect upon the honesty or competence of the Village's employees.

The matters we have identified are discussed in Appendix 1.

This communication is prepared solely for the information of Council and management and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication.

We shall be pleased to discuss with you further any matters mentioned in this report at your convenience.

Yours truly,

Paul Fripp, CPA, CA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants



Appendix 1

Deprovisioning Terminated Users

We identified three terminated users of the Villages banking system where there was a significant delay between their departure date from the Village and their deprovisioning from the Village's bank accounts.

Delays in deprovisioning users from the Village's financial systems exposes the Village to potential unauthorized changes within those systems and disbursement of funds. This weakness is partially mitigated by the enforcement of dual cheque signing and dual authorization of electronic fund payments.

We recommend that the Village formalize the process of user provisioning and deprovisioning, as well as a periodic review of user access to ensure that users within the system, and their system access, is appropriate.

Maintenance of Council and Committee Meeting Minutes

During our audit, we identified that starting in November of 2022, there were significant delays in recording and adopting meeting minutes of Council and Committee meetings, including closed meetings. In some instances, there were delays of more than 10 months in providing council approved minutes to us. In one instance, we noted that there are no minutes available for one closed committee meeting.

Council and Committee meeting minutes are critical corporate records for the Village on decisions carried out by Council, as well as identifying and recording other material events or circumstances impacting the Village.

The Community Charter and Local Government Act outline the requirements relating to minute taking of the Village, which include:

The Community Charter requires that a municipal procedure bylaw provide for the taking of minutes of municipal council and committee meetings, including certification of those minutes.

Municipal council and committee meeting minutes must be available to the public, except for those taken at a meeting or part of a meeting that is closed to the public.

The corporate officer has responsibility for ensuring that accurate minutes of municipal council and committee meeting are prepared, certified as needed and maintained and kept safe.

Minutes of closed meetings must record the names of all persons in attendance. If a municipal council excludes staff from closed meetings, the minutes of the meeting must be taken by someone in attendance at the meeting.

The corporate officer is still responsible to ensure that the closed minutes are accurate. Assigning minute-taking responsibility to an elected official may affect the ability of the corporate officer to fulfil this responsibility. For this reason, elected officials may want to limit the circumstances in which the corporate officer or another staff person able to take minutes is excluded from closed meetings.



We encourage the Village's Council to ensure that appropriate minute taking is occurring at each meeting and that minutes are approved by Council within a reasonable timeframe, ideally at the next appropriate meeting.

Use of Personal Correspondence by Village Officials

Throughout the course of our audit, we noted three incidents where Village Officials reached out to us using personal means of communication. Additionally, it was brought to our attention that one Village official provided banking instructions to the Village's Bankers with regards to changing banking signatories through a personal email address, attempting to add themselves as a signing officer. These actions were conducted in violation of the Village's electronic communication policy.

Conducting business outside of the Village's official means of communication exposes the Village to breaches of confidential information, incomplete corporate records and potential cyber security incidents.

We recommend that Management consider reviewing the Village's electronic communication policy with all members of staff and council, as well as conduct periodic training on cyber security, and maintaining confidential information.

Contracted Services

Following the termination of the CAO and resignation of the CFO in December 2022, Council moved rapidly to install an acting CAO in early January. An acting CFO was then rapidly installed in mid-January. These individuals were contracted on a temporary basis. To our knowledge, the appointment of these positions was not subject to a structured process and there is no evidence that multiple candidates were considered.

As contracted services, the Village's procurement policy in effect at that time stated that at least three quotes for services be considered. Additionally, as these roles are critical to the proper functioning of the Village, failing to hold a structured process to appropriately evaluate the experience and skillset of these individuals placed the Village at risk of failing to meet its obligations as required under legislation.

While we acknowledge the need to act swiftly to ensure the continued operations of the Village, we recommend that when key roles of the Village are required to be fulfilled (whether contracted or otherwise), that the Village consider a pool of candidates and appropriately review their expertise and qualifications to ensure that they can fulfill those roles.

Public Statements

On January 13, 2023, the Village disclosed in its closed meeting agenda, which is publicly available on the Village's website, that the meeting was in regard to "The issues identified for review, discussion and possible recommendations include: security of Village finances; banking controls; and related liability considerations". These discussions also occurred at the finance committee on January 10 where only two council members, two non-council committee members, a guest consultant and the newly appointed acting CAO were present. No other members of staff were present in these discussions. These matters were also discussed at a closed council meeting on January 17, 2023. It should be noted that the minutes for these meetings were not provided to us in draft until June 2023 and were not approved by Council until September 2023.



On January 18, 2023, we were notified by the CFO of the discussions being held by Council concerning financial controls but that she was not aware of the specific discussions as she was not included in any meetings and that no questions were directed to herself concerning the matter nor were any questions raised with her concerning the functioning of the Village's accounting and banking systems. On January 20th, the Village publicly released a "Village update" including what appeared to be the results of an investigation conducted by the Village related to "Finances and Banking - Lack of Proper Financial Controls".

At no point prior to the public release of the Village Update was BDO contacted by Council or by the acting CAO regarding any concerns relating to the financial controls, nor were we enquired regarding any audit findings we might have related to the financial controls of the Village.

On January 23, 2023, we received direction from the acting CAO that the newly appointed acting CFO would reach out to us to setup a meeting to review the matter; that meeting did not occur until May 2023. On January 25 we interviewed Mayor Ken Berry regarding the matter, but were told that there was insufficient information to answer our questions and that the matter should be directed to the acting CAO and CFO. The Acting CAO departed the Village in early February 2023 before we were able to connect with them on the matter.

It is concerning to us that statements relating to the integrity of the Village's financial controls were made publicly resulting from an investigation carried out by individuals who were new to the organization and did not have insight into the day-to-day operations of the Village's financial systems, and where members of finance and the auditors were not involved to provide potentially important information on the matter. Making statements of this nature without sufficient and appropriate information potentially exposes the Village liability and operational disruptions.

It is also concerning that once the statement was made, that key pieces of information were not provided to us in a timely manner. We were not able to connect with the acting CFO until May 2023 and we did not receive the relevant council and finance committee meeting minutes in draft until June 2023. It should be noted that this created a significant delay in our audit, and we expended significant resources to gather this information and develop an appropriate response.

We recommend that Council refrain from making potentially undocumented or unsupported public statements. Should Council have concerns regarding the financial controls and processes of the Village, they should make the Auditor aware of such circumstances immediately so that the auditor can adjust the audit approach to consider such matters.

Tone at the Top and Audit Cooperation

Since November 2022 and throughout 2023, as outlined above, the Village has experienced a deterioration of its internal control environment, driven by a lack of support for that overall control environment by Mayor and Council. Additionally, at times throughout our audit process, we identified a reluctance to disclose to us the decisions taken by Council.

Tone at the top, as established by Mayor and Council and Senior Management of the Village is critical to ensure the appropriate functioning of the Village. Failing to appropriately support the internal control environment, such as the adherence and promotion of appropriate policies and procedures, exposes the Village to employee turnover, operational disruption, legislative penalties, and lawsuits; all of which diminish the service quality to residents while increasing overall costs. Failing to maintain an appropriate "tone at the top" and lack of cooperation throughout the audit constitutes an audit risk where if left unaddressed could result in our inability to appropriately carry out our audit. While we were able to sufficiently resolve matters pertaining to the audit of



the 2022 financial statements, these circumstances created additional auditing requirements and significant delays in our audit process.

We recommend that Council familiarize themselves with the appropriate policies and processes of the Village, and take a leading role in promoting adherence of these policies and advocating for their continued improvement as the need arises.

DRAFT



Appendix D: Independence letter

DRAFT



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April 16, 2024

Mayor and Council
Village of Lions Bay
PO Box 141
400 Centre Road
Lions Bay, British Columbia V0N 2E0

Dear Mayor and Council:

We have been engaged to audit the financial statements of Village of Lions Bay (the "Organization") for the year ended December 31, 2022.

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between the Organization and our Firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, the standards require us to consider independence rules and interpretations of the CPA profession and relevant legislation.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since May 3, 2022, the date of our last letter.

We are not aware of any relationships between the Organization and us that, in our professional judgment, may reasonably be thought to have influenced our independence.

This letter is intended solely for the use of the Mayor and Council, management and those charged with governance of the Organization and should not be used for any other purpose.

Yours truly,

Chartered Professional Accountants