



THE CORPORATION OF THE CITY OF VICTORIA

AUDIT FINAL REPORT TO MAYOR & COUNCIL

For the year ended December 31, 2020

Report dated April 8, 2020 for presentation on April 22, 2021

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SUMMARY

We are pleased to provide this Audit Results Report to assist you in fulfilling your oversight responsibilities with respect to our audit of the financial statements of The Corporation of the City of Victoria (“the City”) for the year ended December 31, 2020.

Our audit and therefore this report will not necessarily identify all matters that may be of interest to those charged with governance in fulfilling its responsibilities. This report has been prepared solely for the use of those charged with governance it may concern and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication. A summary of our report is as follows:



Status of the Audit

As of the date of this report, we have substantially completed our audit of the 2020 financial statements, pending completion of the following items:

- ▶ Approval of financial statements by Council
- ▶ Receipt of signed management representation letter
- ▶ Subsequent events review through to financial statement approval date

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 the draft audited financial statements package for our draft independent auditor’s report.



Independence

Our annual letter confirming our independence is included in Appendix C.



Materiality

Materiality for the statement of operations and working capital items for the City was set at \$4,000,000, which represents approximately 2% of expenses. In addition, we developed a materiality level related to items that only impact tangible capital assets. This materiality level is based on 2% of tangible capital assets for a materiality level of \$11,000,000. Final materiality remained unchanged from our preliminary assessment.



Audit Findings

Our audit focused on the risks specific to your business and key accounts. Our discussion points below focus on the following items:

- ▶ Risk of management override of internal controls
- ▶ Deferred revenue and government grants
- ▶ Staff salaries
- ▶ Employee future benefits
- ▶ Contaminated sites
- ▶ Development cost charges
- ▶ COVID-19 Disclosures



Internal Control Matters

We are required to report to you in writing, any significant deficiencies in internal control that we have identified. The specifics of this communication are included in our report below.

We have not identified any such significant deficiencies in the course of our audit. Please refer to page 9 for the specifics of this required communication.



Adjusted and Unadjusted Audit Differences

We have disclosed all adjusted and unadjusted differences and disclosure omissions identified through the course of our engagement. Each of these items has been discussed with management.

A summary of these items has been included in Appendix B.



Management Representations

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.

A draft copy of the representation letter we have requested from management is included in Appendix D to the report.



Fraud Discussion

Through our planning process, and current and prior years' audits, we have developed an understanding of your oversight processes. We are not currently aware of any fraud affecting the City.

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.

Please refer to the Auditor's Responsibilities for Detecting Fraud in Appendix A.

AUDIT FINDINGS

As part of our ongoing communications with you, we are required to communicate our views on significant qualitative aspects of the City's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. To address this requirement, a summary of the key audit findings are presented below. We remain available to discuss these and other matters with you upon request.

| AREA OF FOCUS | RISKS NOTED | AUDIT FINDINGS |
|--|---|--|
| Risk of Management Override of Controls <i>(Mandatory audit standards consideration)</i> | <p>Accounting standards in this area are complex, and depend on specific contractual terms. There is both a timing of revenue recognition as well as presentation and disclosure requirements relating to these funding arrangements.</p> <p>Management is generally 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.</p> <p>This risk is not unique to the City and is required to be addressed for all audits pursuant to Canadian auditing standards.</p> | <p>We tested appropriateness of journal entries recorded in the general ledger, reviewed key estimates and other adjustments made in the preparation of the financial statements.</p> <p>We reviewed transactions recorded in the various ledgers for unusual or non-recurring adjustments not addressed by other audit procedures.</p> <p>We reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represented a risk of material misstatement due to fraud.</p> <p><i>All audit testing in the area was executed as planned with no issues to be reported.</i></p> |
| Deferred Revenue and Government Grants | <p>Accounting standards are complex and subject to potential misinterpretation. There is a risk that these charges grants are not appropriately calculated and recorded accordance with the relevant accounting standard.</p> | <p>We confirmed grant funding through review of agreements to ensure occurrence, and completeness.</p> <p>We reviewed whether revenue is recorded in accordance with the settlement of any stipulations in order to ensure accuracy.</p> <p><i>All audit testing in the area was executed as planned with no issues to be reported.</i></p> |

| AREA OF FOCUS | RISKS NOTED | AUDIT FINDINGS |
|--------------------------|--|--|
| Staff Salaries | A significant single type of expenditure that covers many employees and departments. As a public entity, this figure is often of particular interest to financial statement users (taxpayers). | <p>We performed systems testing, tests of controls and analytical review of staff salary and salary levels.</p> <p><i>All audit testing in this area was executed as planned. We identified one overaccrual of staff salaries, which has been adjusted by management. Refer to Appendix B for details.</i></p> |
| Employee Future Benefits | A complex area that requires much estimation and reliance on actuarial experts. | <p>We reviewed actuarial reports and obtained assurance on the significant assumptions.</p> <p>We reviewed the underlying data provided to the actuary for accuracy and completeness.</p> <p>We communicated with the external actuaries and evaluated their credentials, independence and assumptions used.</p> <p><i>All audit testing in this area was executed as planned with no issues to be reported.</i></p> |
| Contaminated Sites | This standard is complex and therefore there is a risk that liabilities may not be identified and appropriately accounted for. | <p>We reviewed management's process on identifying new potential contaminated sites and management's assessment on whether a liability exists in accordance with the standard.</p> <p><i>All audit testing in this area was executed as planned with no issues to be reported.</i></p> |
| Development Cost Charges | As with all municipalities, DCC collection is a complex area requiring interaction of several City departments. There is a risk that the DCCs may not be completely or properly charged or not used in accordance with the by-law. | <p>We reviewed management's process for identifying the properties where new DCCs should be assessed and test that appropriate amounts collected.</p> <p>We performed procedures over the collection and use of funds in accordance with the relevant by-law.</p> <p><i>All audit testing in this area was executed as planned with no issues to be reported.</i></p> |

| AREA OF FOCUS | RISKS NOTED | AUDIT FINDINGS |
|----------------------|---|---|
| COVID-19 Disclosures | <p>During the year, the impact of COVID-19 on the Canadian and international economy was substantial. Significant uncertainty in revenue generation and cash flow has arisen for all local governments.</p> <p>Management has included a note to the financial statements discussing the ongoing impacts to the City.</p> | <p>We discussed with management the potential impacts on the future operations and financial budgets and results for the City.</p> <p>We considered potential impacts in relation to other local governments in BC.</p> <p>We examined records subsequent to year end to determine if significant economic impacts have occurred.</p> <p>We considered the sufficiency of disclosure in the financial statements.</p> <p><i>No audit differences were identified through these procedures.</i></p> |

INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the Company's internal control environment:

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

The results of these procedures were considered in determining the extent and nature of substantive audit testing required.

We are required to report to you in writing 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, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance. We have not identified any such significant deficiencies in the course of our audit.

As the purpose of the audit is for us to express an opinion on the Company's financial statements, our audit cannot be expected to disclose all matters that may be of interest to you. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control. We did not note any significant deficiencies that require the attention of the Board. Our management letter outlining improvement opportunities is in Appendix E.

OTHER REQUIRED COMMUNICATIONS

Potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements.

- BDO Response: Disclosed as required

Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern.

- BDO Response: None noted

Disagreements with management about matters that, individually or in the aggregate, could be significant to the entity's financial statements or our audit report.

- BDO Response: None noted

Matters involving non-compliance with laws and regulations.

- BDO Response: None noted

Significant related party transactions that are not in the normal course of operations and which involve significant judgments made by management concerning measurement or disclosure.

- BDO Response: None noted

Management consultation with other accountants about significant auditing and accounting matters.

- BDO Response: None noted

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.

APPENDICES

Appendix A: Responsibilities

Appendix B: Adjusted and Unadjusted Audit Differences

Appendix C: Independence Letter

Appendix D: Draft Management Representation Letter

Appendix E: Draft Management Letter

Appendix F: BDO Resources

APPENDIX A: RESPONSIBILITIES

It is important for Mayor and Council 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 engagement letter dated December 14, 2020 which has previously been provided. The oversight and financial reporting responsibilities of management and those charged with governance 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 accounting standard for not-for-profit organizations.

| Year-End Audit Work | Other Information |
|---|--|
| <ul style="list-style-type: none"> ▶ Work with management towards the timely issuance of financial statement. ▶ Provide timely and constructive management letters. This includes deficiencies in internal control identified during our audit. ▶ 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. | <ul style="list-style-type: none"> ▶ Read the other information included in the Annual Report(s) to identify material inconsistencies, if any, with the audited financial statements. |
| | Year-Round Work |
| | <ul style="list-style-type: none"> ▶ Consult regarding accounting, indirect tax and reporting 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

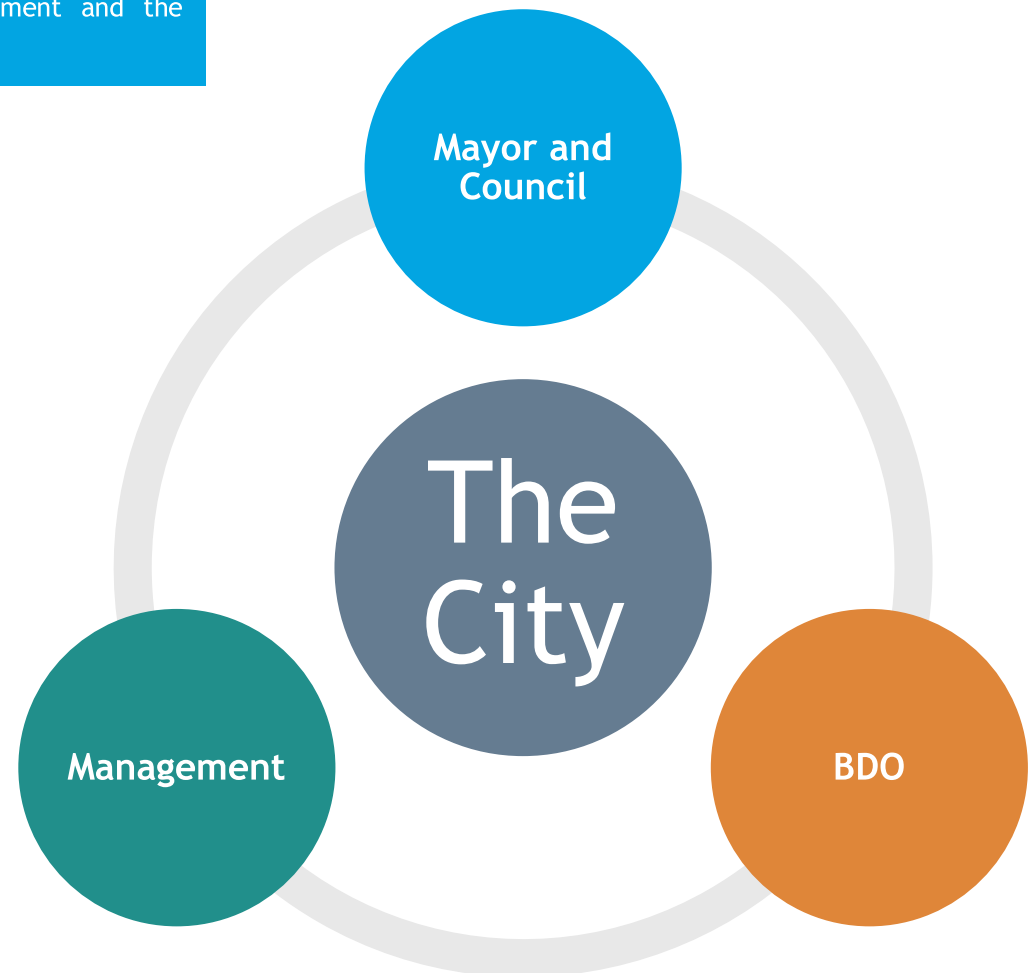
- ▶ Inquire of the Mayor and Council for any knowledge of fraud, suspected fraud or alleged fraud;
- ▶ Perform disaggregated analytical procedures and consider unusual or unexpected relationships identified in the planning of our audit;
- ▶ Incorporate an element of unpredictability in the selection 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.

RESPONSIBILITIES OF THOSE CHARGED WITH GOVERNANCE

- ▶ 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.

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 B: ADJUSTED AND UNADJUSTED DIFFERENCES

UNADJUSTED AUDIT DIFFERENCES

There were no unadjusted misstatements or material disclosure omissions noted during the course of our audit engagement.

ADJUSTED AUDIT DIFFERENCES

The following is a summary of differences that were corrected by management during the course of our audit engagement:

The audit differences which have been adjusted for, and therefore are included in the financial statements, are documented below.

| | Debit (Credit) | | | |
|--|----------------|--------------|--------------------|-------------------|
| | Assets | Liabilities | Opening Net Assets | Revenue / Expense |
| Dr Accounts Payable Cr Prepayments To reverse insurance premiums recorded as prepaid expenses that had not been paid at the end of the year. | \$ (885,897) | \$ 885,897 | \$ - | \$ - |
| Dr Payroll Expenses Accrual Cr Payroll Expenses To adjust the accrual of payroll expenses at the end of the year | \$ - | \$ 303,448 | \$ - | \$ (303,448) |
| Total Adjusted Differences | \$ (885,897) | \$ 1,189,345 | \$ - | \$ (303,448) |

APPENDIX C: INDEPENDENCE LETTER

April 8, 2021

Members of the Council
The Corporation of the City of Victoria

Dear Council Members:

We have been engaged to audit the financial statements of The Corporation of the City of Victoria (the “City”) for the year ended December 31, 2020.

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

In determining which relationships to report, we have considered the applicable legislation and relevant rules of professional conduct and related interpretations prescribed by the appropriate provincial institute/order covering such matters as:

- Holding a financial interest, either directly or indirectly in a client;
- Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- Economic dependence on a client; and
- Provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since April 22, 2020, the date of our last letter.

We are aware of the following relationships between the City and us that, in our professional judgment, may reasonably be thought to bear on our independence. The following relationships represent matters that have occurred to the date of this letter.

We provide assistance in the preparation of the financial statements, including adjusting journal entries. These services may create a self-review threat to our independence. We, therefore, required that the following safeguards be put in place:

- that management created the source data for all the accounting entries;
- that management developed any underlying assumptions required with respect to the accounting treatment and measurement of the entries; and
- that management review and approve all journal entries prepared by us, as well as the financial statements.

As an additional safeguard, our file review policies require that someone other than the preparer review the proposed journal entries and financial statements.

Other than as described above, we are not aware of any relationships between the City and our Firm that, in our professional judgment, may reasonably be thought to bear on independence.

We hereby confirm that we are independent with respect to the City within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia up to the date of this letter.

This letter is intended solely for the use of the Mayor and Council and others within the City and should not be used for any other purposes.

BDO Canada LLP

Chartered Professional Accountants

APPENDIX D: REPRESENTATION LETTER

This page left intentionally blank - Representation Letter follows on the subsequent pages

[Date of Approval of the Financial Statements]

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 the City of Victoria for the year ended December 31, 2020, 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 14, 2020, 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.
- We have reviewed and approved all journal entries recommended by the practitioners 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. Since there are no actual, outstanding or possible litigation and claims, no disclosure is required 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.
- We have considered the impact of COVID-19 on the amounts and disclosures in the financial statements. To the best of our knowledge and belief, we have disclosed all know impacts and risks to the City.

Yours truly,

Susanne Thompson, Deputy City Manager/CFO

Laurel Westinghouse, Manager, Accounting

APPENDIX E: MANAGEMENT LETTER

April 8, 2021

Susanne Thompson, CPA, CGA, Deputy City Manager/CFO
The Corporation of the City of Victoria
1 Centennial Square
Victoria, BC V8W 1P6

Dear Ms. Thompson:

RE: Auditor's Management Letter

As your external auditors we are engaged to provide an audit opinion on your year-end financial statements. An external audit requires testing of transactions and balances and review of those internal control systems upon which we may place reliance. A positive opinion on the financial statements does not necessarily mean that your internal control systems are all operating effectively. This is because we review only those internal control systems where we feel that failure in those systems could result in a material error on the financial statements. With those systems that we do review, our focus is on the assertions necessary to meet our financial statement audit objectives.

Our review of systems, transactions and balances as well as discussions with staff at various levels throughout the City gives us a unique insight into your operations. While conducting this work we make note of items that come to our attention where we feel that improvement could be made or alternatives could be considered. We are fortunate in that we work with a great number of clients and observe a wide variety of processes. We see firsthand any procedures that are emerging as best practices.

We are required to report to you in writing, 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, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

As matters come to our attention we make note of these for subsequent follow-up. For minor matters, we discuss directly with the staff involved. More important matters are brought forward in this letter (known as a management letter). We did not note any significant deficiencies in internal control in the current year; however, we do have a number of areas we noted for potential improvement, as well as areas noted in prior years, with updates to the status. Where points raised in prior years are no longer applicable we have removed them from the letter.

This letter is a by-product of our audit and the points noted are not necessarily indicative of significant problems with your systems or staff. Our role as auditors includes making recommendations where we see improvement opportunities.

This letter is solely for the use of Council and Management in discharging their responsibilities over financial reporting and should not be used for any other purpose. We accept no responsibility for any other use of this letter.

Current Year Recommendations

1. IT Strategy

During the course of our audit discussions, it was noted that the remaining useful life of JD Edwards software is limited. As a result, new enterprise software will need to be considered in advance of retirement of the system.

We recommend that the replacement of JD Edwards be incorporated into the City's IT Strategy to ensure robust analysis of options and a review of synergies between the replacement chosen and other service areas such as the new electronic records system and human resources will be undertaken.

Management Comment

JD Edwards is the City's Enterprise Resource Planning (ERP) system and its replacement is currently included in the IT technology roadmap due to its end of life in 2030. The replacement of the ERP system is a significant multi-year undertaking that requires dedicated resources for successful implementation. The IT Strategic Plan's 3rd Goal - Empower the organization to create data-driven insights - identifies the following strategic priorities currently being actioned: optimize organization-wide business processes and systems; roadmap for enterprise data architecture and analytics; and implementation of integrated platform for records management. These priorities focus efforts towards optimizing business processes through the unification of city-wide business systems with the ERP system, which are preparatory steps towards the replacement JD Edwards. The City appreciates the recommendation by BDO and has updated the IT Strategy to clearly identify JD Edwards replacement as a component of this unification. The replacement of the City's ERP system will present an ideal opportunity to unify city-wide business systems to reduce duplication of data entries and enable greater accuracy and collaboration between City departments.

Prior Year Recommendations

2. Asset Retirement Obligations

Asset retirement obligations is a new Public Sector Accounting Standard that will be required to be applied in the financial statements for the year ended December 31, 2023, with optional retroactive application. While this standard has been discussed often since first introduced, the preparation and time commitment to implement the standard is expected to be extensive. Although the time frame for adopting the standard has recently been delayed due to COVID-19, we encourage management to address the requirements as soon as possible in order to ensure readiness.

Early action to assess, calculate and record the asset retirement obligation will help ensure that the application of this standard will be accomplished in a methodical manner and will also help ensure that the resources are available to meet the requirements of the standard.

We will continue to be a resource, and to work with management in the lead up to the implementation date of January 1, 2023.

Management's Comment

The City continues its progress towards implementing PSAB 3280 through active participation in a working group organized by the Government Finance Officers Association of BC (GFOABC) and attendance at a November 2020 workshop organized by GFOABC. A timeline for implementation has been mapped out. These are the City's milestones for 2021 with regards to implementation:

- *Q1 2021 - development of a PS3280 policy and begin to develop an inventory of potential in-scope assets and PS3260 contaminated sites;*

- *Q2 2021 - continue to develop inventory listings and begin follow-up interviews/assessments to discuss potential retired obligations;*
- *Q3 2021 - continue interviews/assessments and begin measurement of assets; and*
- *Q4 2021 - begin preparing estimates.*

We would like to express our appreciation for the co-operation and assistance which we received from the City's management during the course of the audit.

We are pleased to discuss with you further any matters mentioned in this letter at your convenience.

Yours truly,



Brian Szabo, CPA, CA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants

BJS/sv/mt

CC: MAYOR AND COUNCIL

APPENDIX F: BDO RESOURCES

FRAUD RISK AWARENESS:

There has been a noticeable increase over the past few years in fraudulent activities in all organisations, including public sector. In particular, factors arising from COVID-19, including increased remote work and electronic workflow have provided increased opportunities for fraudulent activities. BDO Canada has recently unveiled the Fraud and Cybersecurity Resource Hub. This site is an invaluable resource to management and Mayor & Council members in identifying and managing fraud risk within your organization. Our Fraud Risk specialists have assembled a number of articles and videos in one place for ease of reference.

FRAUD AND CYBERSECURITY RESOURCE HUB

Resources and strategies to help you protect your organization from fraud and cyber attacks.

ARTICLE
TOP 5 FRAUD RISKS YOUR BUSINESS SHOULD WATCH FOR IN 2021
BDO highlights the five fraud risks that businesses should watch for in 2021 and beyond.
Read Article

INFOGRAPHIC
RESUME OF A FRAUDSTER: HOW TO DETECT FRAUD IN THE WORKPLACE
Read Article

Know your fraud risks. Download our self-assessment worksheets.
Download

EVENT
EMPLOYEE FRAUD: A GUIDE FOR FRAUD PREVENTION, DETECTION, AND RESPONSE
Read Article

ARTICLE
HOW A GLOBAL PANDEMIC CREATED A BREEDING GROUND FOR WIRE FRAUD
Read Article

Do you suspect fraud in your organization? Our team can help.
Contact Us

VIDEO
#FRAUDECONSTRUCTED: NATIONAL LEADER VIVEK GUPTA AND PARTNER CHETAN SEHGAL ON
Watch Video

Visit the BDO Fraud and Cybersecurity Resource Hub at: <https://insights.bdo.ca/fraud-cybersecurity-awareness-hub>.