



# City of Courtenay

2023 Audit Findings

Report to Council

December 31, 2023

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May 8, 2024

Mayor and Council of the City of Courtenay

Dear Sirs/Mesdames:

We are pleased to submit to you this report for discussion of our audit of the consolidated financial statements of the City of Courtenay (the "City") as at December 31, 2023 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of Council.

We have substantially completed our audit of the consolidated financial statements of the City which has been carried out in accordance with Canadian generally accepted auditing standards.

Unless unforeseen complications arise, our Independent Auditor's Report will provide an unmodified opinion to the Mayor and Council of the City.

This report is intended solely for the information and use of Council and management and should not be distributed to or used by any other parties than these specified parties.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We would like to express our appreciation for the excellent cooperation we have received from management and employees with whom we worked.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,



MNP LLP

Chartered Professional Accountants

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# Introduction

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As auditors, we report to the Mayor and Council on the results of our examination of the consolidated financial statements of City of Courtenay (the "City") as at and for the year ended December 31, 2023. The purpose of this Audit Findings Report is to assist you, as members of Council, in your review of the results of our audit. To facilitate in your understanding of our findings, Appendix A to this report summarizes our audit process.

Our report will discuss the status of our engagement, as well as communicate to you significant audit, accounting and reporting matters arising from our procedures.

We hope that this report is of assistance to you, and we look forward to discussing our findings and answering your questions.

## Engagement Status

We have substantially completed our audit of the consolidated financial statements of the City and are prepared to sign our Independent Auditor's Report subsequent to completion of the following procedures:

- Council's review and approval of the consolidated financial statements

## Independent Auditor's Report

We expect to have the above procedures completed and to release our Independent Auditor's Report on May 8, 2024.

Unless unforeseen complications arise, our Independent Auditor's Report will provide an unmodified opinion to the Mayor and Council of the City. A draft copy of our proposed Independent Auditor's Report has been provided under separate cover.

# Significant Audit, Accounting and Reporting Matters

## Audit and Reporting Matters

The following significant matters arose during the course of audit that we wish to bring to your attention.

Area	Comments
<b>Changes from Audit Service Plan</b>	There were no deviations from the Audit Service Plan previously presented to you.
<b>Difficulties Encountered</b>	No significant limitations were placed on the scope or timing of our audit.
<b>Identified or Suspected Fraud</b>	<p>Due to the inherent limitations of an audit and the nature of fraud, including attempts at concealment through forgery or collusion, an audit conducted in accordance with Canadian generally accepted auditing standards cannot be relied upon to detect fraud.</p> <p>While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.</p>
<b>Identified or Suspected Non-Compliance with Laws And Regulations</b>	Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the consolidated financial statements.
<b>Matters Arising in Connection With Related Parties</b>	No significant matters arose during the course of our audit in connection with related parties of the City.

Area	Comments
<p><b>Significant Deficiencies in Internal Control</b></p>	<p>Our audit process focuses on understanding the controls utilized in management’s reporting systems, including for estimates, to the extent necessary to identify overall and specific financial reporting risks. This risk assessment allows us to concentrate our audit procedures on high risk areas and, where possible, place reliance on controls within the financial reporting system to reduce the extent of our testing.</p> <p>It is important to note that our assessment was not, nor was it intended to be, sufficient to comment or conclude on the sufficiency of internal controls.</p> <p>We are required under Canadian generally accepted auditing standards to communicate all significant deficiencies identified during an audit to Council on a timely basis. However, we may not be aware of all significant deficiencies that do, in fact, exist.</p> <p>While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, no significant deficiencies in internal control have come to our attention</p>
<p><b>Matters Arising from Discussions With Management</b></p>	<p>We would like to formally acknowledge the cooperation and assistance we received from the management and staff of the City.</p> <p>There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.</p>
<p><b>Significant Differences</b></p>	<p>No significant differences were proposed to management with respect to the December 31, 2023 consolidated financial statements.</p>
<p><b>Final Materiality</b></p>	<p>Materiality is a concept used to assess the significance of misstatements or omissions that are identified during the audit and is used to determine the level of audit testing that is carried out. The scope of our audit work is tailored to reflect the relative size of operations of the City, and is affected by our assessment of materiality and audit risk.</p> <p>Final materiality used for our audit was \$3,400,000 for December 31, 2023 and \$2,500,000 for December 31, 2022.</p>

# Auditor's Views of Significant Accounting Practices

The application of Canadian public sector accounting standards allows and requires the City to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.

As auditors, we are uniquely positioned to provide open and objective feedback regarding your City's accounting practices, and have noted the following items during the course of our audit that we wish to bring to your attention.

Area	Comments
<b>Accounting Policies</b>	The accounting policies used by the City are appropriate and have been consistently applied.
<b>Financial Statement Disclosures</b>	The disclosures made in the notes to the consolidated financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the consolidated financial statements.

## Other Matters

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### Management Representations

We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit. This letter, provided by management, has been included as additional material to this report.

### Auditor Independence

We confirm to Council that we are independent of the City. Our letter to Council discussing our independence is attached to this report.

# Appendix A - MNP Audit Process

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Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the consolidated financial statements considered separately.

Our audit process focused on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment enabled us to concentrate our audit procedures on the areas where differences were most likely to arise. Where possible, reliance was placed on the controls within these systems to reduce the extent of our testing of transactions and year-end balances. Our assessment was not, nor was it intended to be, sufficient to conclude on the effectiveness or efficiency of internal controls.

During the course of our audit, we have:

- Examined, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessed the accounting principles used and significant estimates made by management;
- Obtained an understanding of the City and its environment, the applicable financial reporting framework and the City's system of internal control (regardless of whether we relied on them for the purpose of the audit), sufficient to identify and assess the risks of material misstatement of the consolidated financial statements and to design and perform audit procedures;
- Reviewed and assessed those accounting systems deemed necessary to support our audit opinion;
- Evaluated the overall consolidated financial statement presentation;
- Performed a subsequent events review with management;
- Reviewed and assessed the status of contingencies, commitments and guarantees; and
- Reviewed and assessed exposure to environmental liabilities.

We have obtained written representations from management, included as additional materials following this report, in order to confirm oral representations given to us and reduce the possibility of misunderstanding. Specifically, we have obtained written confirmation of significant representations provided on matters that are:

- Directly related to items that are material, either individually or in the aggregate, to the consolidated financial statements;
- Not directly related to items that are material to the consolidated financial statements, but are significant, either individually or in the aggregate, to the engagement; and
- Matters relevant to management judgments or estimates that are material, either individually or in the aggregate, to the consolidated financial statements.



# Appendix B - Significant Risk Areas and Responses

## Significant Risk Areas and Responses

Significant Risk Area	Response and Conclusion
<p><b>Management override of internal controls</b></p>	<p>To respond to the overall risk of material misstatement due to fraud regarding management's override of controls, we performed the following procedures:</p> <ol style="list-style-type: none"> <li>1. Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>2. Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud, if applicable</li> <li>3. Evaluated the rationale behind significant transactions that are not in the normal course of business and whether they have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets</li> </ol>
<p><b>Asset retirement obligations</b></p> <p>Risk of misstatement due to unidentified asset retirement obligations and/or asset retirement obligations recorded at the incorrect value.</p>	<p>To respond to the risk of misstatement in asset retirement obligations, we performed the following procedures:</p> <ol style="list-style-type: none"> <li>1. Obtained a listing of asset retirement obligations from management</li> <li>2. Compared listing to capital asset listing to identify any potential asset retirement obligations</li> <li>3. Performed a completeness check to determine if any asset retirement obligations are missing from listing provided.</li> <li>4. For liability estimates, obtained source documentation to support valuation, such as appraisals, quotes, invoices for similar work done recently</li> <li>5. Compared discount and inflation rates to published rates</li> <li>6. Recalculated asset retirement obligations</li> <li>7. Investigated any significant variances</li> </ol>

# Appendix B - Significant Risk Areas and Responses (continued from previous page)

Significant Risk Area	Response and Conclusion
<p><b>Government transfers</b></p> <p>Risk of material misstatement due to unidentified government transfers and/or government transfers recorded at the incorrect value.</p>	<p>To respond to the risk of misstatement in government transfers, we performed the following procedures:</p> <ol style="list-style-type: none"><li>1. Randomly selected samples based on performance materiality of \$3,060,000.</li><li>2. Tested all amounts above \$3,060,000 to supporting documents.</li><li>3. Vouched revenue to supporting documents.</li><li>4. Ensured that the amount is correctly recorded and investigated any significant variances.</li></ol>

# Independence Communication

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May 8, 2024

City of Courtenay  
830 Cliffe Avenue  
Courtenay, BC V9N 2J7

Dear Sirs/Mesdames:

We have been engaged to audit the consolidated financial statements of City of Courtenay (the "City") as at December 31, 2023 and for the year then ended.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the City and its related entities or persons in financial reporting oversight roles at the City and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body and applicable legislation, covering such matters as:

- (a) Holding a financial interest, either directly or indirectly, in a client;
- (b) 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 or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are not aware of any relationship between the City and MNP that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred from January 1, 2023 to the date of this letter.

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

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

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you at. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Sincerely,



MNP LLP  
Chartered Professional Accountants

# MADE <sup>IN</sup> CANADA

And proud of it!

At MNP we're proud to be the national accounting, consulting and tax firm that is 100% Made in Canada.

Our history defines who we are and our approach to business. Being a Canadian firm has helped shape our values, our collaborative approach, and the way we work with our clients, engaging them every step of the way.

We have a unique perspective. Our decisions are made here – decisions that drive Canadian business and help us all achieve success — and we know the impact that our choices have on the cities and towns we call home.

Throughout our six decades of work, we've seen our communities are more than just a place we do business in. They're a place where our families live, play, and thrive, and we work to make them the best places they can be.

Being 100% Canadian is something we wear proudly. This country provides us with great opportunities, and we're here to help our clients seize the opportunities so we can create a brighter future for the generations to come.



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