



FINANCE COMMITTEE

Thursday, April 20, 2023

TO BE HELD

IN THE BOARDROOM OF THE SUNSHINE COAST
REGIONAL DISTRICT OFFICES AT 1975 FIELD ROAD, SECHELT, B.C.

AMENDED AGENDA

CALL TO ORDER 2:00 p.m.

AGENDA

1. Adoption of Agenda Pages 1-2

PRESENTATIONS AND DELEGATIONS

2. Cory Vanderhorst, Regional Assurance Partner and Kristy Rowbotham, Client Account Services of MNP LLP Auditors Annex A
Regarding: i) Presentation to the Board of Directors Pages 3-13
ii) ⇒ **Replacement** 2022 Audit Findings - Report pp. 14-23
to the Board of Directors
iii) Draft Independent Auditor's Report pp. 24-25
iv) Draft Independent Auditor's Report – pp. 26-27
Foreshore Leases (Hillside)
v) 2022 Statement of Financial Information pp. 28-94
(including the SCRD 2022 Draft Audited
Financial Statements)
vi) ⇒ **Add** Management Letter dated April 27, pp. 94a-94c
2023

REPORTS

3. Sunshine Coast Regional District 2022 Audit Findings Report Annex B
and Statement of Financial Information pp. 95-101
i) ⇒ **Replacement** 2022 Audit Findings - Report to the See pp. 14-23
Board of Directors
ii) Draft Independent Auditor's Report See pp. 24-25
iii) Draft Independent Auditor's Report – Foreshore See pp. 26-27
Leases (Hillside)
iv) 2022 Statement of Financial Information (including the See pp. 28-94
SCRD 2022 Draft Audited Financial Statements)
v) ⇒ **Add** Management Letter dated April 27, 2023 See pp. 94a-94c
General Manager, Corporate Services / Chief Financial Officer
and Manager, Financial Services
(Voting – All Directors)

- | | |
|--|------------------------|
| 4. Community Benefits and Amenities Contribution Funds
<i>Manager, Financial Planning</i>
(Voting – All Directors) | Annex C
pp. 102-104 |
| 5. Statement of Reserves and Holding Funds as at March 31, 2023
<i>Manager, Financial Planning</i>
(Voting – All Directors) | Annex D
pp. 105-111 |
| 6. Canada Community-Building Fund-Community Works Fund Update
<i>Manager, Financial Planning</i>
(Voting – Electoral Area Directors) | Annex E
pp. 112-114 |

IN CAMERA**COMMUNICATIONS****NEW BUSINESS****ADJOURNMENT**

Sunshine Coast Regional District

2022 Audit Findings

Report to the Finance Committee

December 31, 2022

Cory Vanderhorst, CPA, CA

T: 250.734.4319

E: cory.vanderhorst@mnp.ca

April 20, 2023

Members of the Finance Committee of the Sunshine Coast Regional District

Dear Sirs/Mesdames:

We are pleased to submit to you this report for discussion of our audit of the financial statements of the Sunshine Coast Regional District (the "Regional District") as at December 31, 2022 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 the Finance Committee.

We have substantially completed our audit of the financial statements of the Regional District 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 Board of the Regional District. A draft copy of our proposed Independent Auditor's Report is provided under separate cover.

This report is intended solely for the information and use of the Finance Committee 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 Regional District 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

Introduction

As auditors, we report to the Board on the results of our examination of the financial statements of Sunshine Coast Regional District (the "Regional District") as at and for the year ended December 31, 2022. The purpose of this Audit Findings Report is to assist you, as members of the Finance Committee, 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 financial statements of the Regional District and are prepared to sign our Independent Auditor's Report subsequent to completion of the following procedures:

- The Board of Directors' review and approval of the financial statements

Independent Auditor's Report

We expect to have the above procedures completed and to release our Independent Auditor's Report on April 27, 2023.

Unless unforeseen complications arise, our Independent Auditor's Report will provide an unmodified opinion to the Board of the Regional District. A draft copy of our proposed Independent Auditor's Report has been included 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
Changes from Audit Service Plan	<p>We previously presented our proposed Audit Service Plan to you on October 5, 2022. Over the course of our audit, the following deviations were made from this plan:</p> <ul style="list-style-type: none">• We proposed to use \$2,000,000 as overall materiality but at year end, \$2,200,000 was used as overall materiality. The increase is a result of actual revenues for the year being higher than the projected amount when the audit service plan was issued.
Difficulties Encountered	<p>No significant limitations were placed on the scope or timing of our audit.</p>
Identified or Suspected Fraud	<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>
Identified or Suspected Non-Compliance with Laws And Regulations	<p>Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the financial statements.</p>
Matters Arising in Connection With Related Parties	<p>No significant matters arose during the course of our audit in connection with related parties of the Regional District.</p>

Area	Comments
Significant Deficiencies in Internal Control	<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 the Finance Committee 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>
Going Concern	<p>No events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern.</p>
Matters Arising from Discussions With Management	<p>We would like to formally acknowledge the cooperation and assistance we received from the management and staff of the Regional District.</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>
Significant Differences	<p>No significant differences were proposed to management with respect to the December 31, 2022 financial statements.</p>
Other Information	<p>Pursuant to our responsibilities under Canadian generally accepted auditing standards, we have reviewed other financial and non-financial information included in documents containing the financial statements and our Independent Auditor's Report thereon. We review these documents for the purpose of ensuring their content does not contradict information derived from our audit procedures.</p>
Final Materiality	<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 Regional District, and is affected by our assessment of materiality and audit risk.</p>

Area	Comments
	Final materiality used for our audit was \$2,200,000 for December 31, 2022 and \$2,000,000 for December 31, 2021.

Auditor's Views of Significant Accounting Practices

The application of Canadian public sector accounting standards allows and requires the Regional District 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 Regional District'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
Accounting Policies	The accounting policies used by the Regional District are appropriate and have been consistently applied.
Financial Statement Disclosures	The disclosures made in the notes to the financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the financial statements.

Other Matters

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.

Appendix A - MNP Audit Process

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 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. 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 financial statements;
- Assessed the accounting principles used and significant estimates made by management;
- Obtained an understanding of the Regional District and its environment, the applicable financial reporting framework and the Regional District'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 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 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 financial statements;
- Not directly related to items that are material to the financial statements, but are significant, either individually or in the aggregate, to the engagement; and
- Matters relevant to management judgments or estimates that are material, either individually or in the aggregate, to the financial statements.

Independence Communication

April 27, 2023

Board of Directors
Sunshine Coast Regional District
1975 Field Road
Sechelt, BC V7Z 0A8

Dear Sirs/Mesdames:

We have been engaged to audit the financial statements of Sunshine Coast Regional District (the "Regional District") as at December 31, 2022 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 Regional District and its related entities or persons in financial reporting oversight roles at the Regional District 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 aware of the following relationships between the Regional District and MNP that, in our professional judgment, may reasonably be thought to bear on our independence. The following relationships represent matters that have occurred from January 1, 2022 to April 27, 2023.

During the audit period, the MNP Digital team was engaged to assist with a Cyber Recovery project. To maintain independence, no members of the MNP Digital team worked on the audit, and vice versa. In addition, our audit was subject to a quality control review by a qualified partner from our Fraser Valley region.

We hereby confirm that MNP is independent with respect to the Regional District within the meaning of the Code of Professional Conduct to the Chartered Professional Accountants of British Columbia as of April 27, 2023.

This report is intended solely for the use of Board of Directors, management and others within the Regional District 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. 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 ^{IN} 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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April 27, 2023

Sunshine Coast Regional District
1975 Field Road
Sechelt, BC V7Z 0A8

Dear Ms. Perreault:

Management letter for the year ended December 31, 2022

We have recently completed our audit of Sunshine Coast Regional District in accordance with Canadian auditing standards ("CAS"). The objective of our audit was to express an opinion on the financial statements, which have been prepared in accordance with Canadian public sector accounting standards. Included in our audit was the consideration of internal control relevant to the preparation and fair presentation of the financial statements. This consideration of internal control was for the purpose of designing audit procedures that were appropriate in the circumstances. It was not for the purpose of expressing an opinion on the effectiveness of internal control or for identifying all significant control deficiencies that might exist.

An audit is not specifically designed to identify all matters that may be of interest to management in discharging its responsibilities, however, during the course of our audit, if we find significant deficiencies we are required to communicate to those charged with governance. A significant deficiency in internal control 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.

During the current year audit, we did not find any new areas for improvement to bring to your attention. We have noted below the resolution and progress on items raised in prior years' audits.

Prior year observation - Expense Claim Reimbursements

Observation:

MNP observed a discrepancy between an Expense Report and the actual amount reimbursed.

An expense claim reviewed during audit testing had a reimbursement total of \$134.16, but only \$104.57 was reimbursed to the individual.

Recommendation:

MNP recommended that Expense Forms are prepared and reimbursed in a timely manner. Payment (i.e., cheques or EFT) should be compared to the Expense Form before being released.

Management's response:

In prior year, management notes that the discrepancy was due to a keying error and has confirmed that the discrepancy was not paid out on a subsequent claim. The outstanding amount will be processed and paid. Procedures have been modified to ensure the keyed in total is verified against the Expense Form total when entered and to compare payments to the expense form before being released.

In current year, management has addressed and implemented changes. MNP did not identify any issues regarding this observation in the current year audit testing.

Prior year observation - Purchase Order (PO) Allocation in Unit 4 ERP

Observation:

MNP notes that in the purchasing process, there is opportunity for Purchase Order information to be altered without the proper approvals. This may result in misallocation of expenses when the actual invoices are processed.

During testing of expenditures, MNP noted an item where the allocation between tangible capital assets and repairs expenses did not agree to the original PO allocation. Subsequent investigation determined that the allocation of capital vs. expense for this project had been altered after the original purchase requisition.

Impact:

The potential impact is that expenditures may be misclassified between expense accounts, or possibly between tangible capital assets and expenses.

Recommendation:

MNP recommended that changes to Purchase Orders or allocations between accounts are reviewed and approved before being entered in the Unit 4 ERP.

Management's response:

The ability to alter Purchase Order information is restricted to specific roles within the organization and controls are in place to ensure proper approvals are obtained before making any alterations outside of specific parameters. This particular instance was deemed to be a unique circumstance whereby the set parameters did not contemplate the scenario at hand. Parameters will be reviewed and updated to reduce the likelihood of this scenario re-occurring in the future and additional system based controls will be explored.

In the current year, management has addressed this issue and it will be monitored and reassessed on a regular basis. MNP did not identify any issues regarding this observation in the current year audit testing.

Prior year observation - 3 Way Match in Unit 4 ERP

Observation:

MNP noted that the Regional District's processes allow for the possibility to post an invoice in Unit 4 ERP without a 3 Way Match being made related to the goods purchased.

MNP noted in expense testing that an invoice had been posted without verification that the goods had been received (known as 3 Way Match - Purchase Order to Invoice to Receiving).

Impact:

The potential impact is for expenses to be recorded where goods or services are not actually received by the Regional District.

Recommendation:

MNP recommended that the Regional District implement a review process in which invoices are matched to goods receipts before being processed for payment.

Management's response:

This control had previously been identified by Management as an area of concern and preliminary work to scope potential system improvements was completed in 2021. Through that process, it was determined that a comprehensive review of the entire Procure to Pay business process in Unit ERP was warranted to ensure the system is functioning as intended. The item was included on the Finance Service plan for 2022 as part of our continuous improvement initiatives but is complex and will require coordination with the Information Technology and Purchasing divisions and may be subject to resource constraints in light of other corporate priorities. In the interim, Management will review options to enhance or modify this specific control (3 Way Match) given it is a key component of the payment process.

In current year, management has addressed and implemented changes. MNP did not identify any issues regarding this observation in the current year audit testing.

Prior year observation - Financial Plan Amendments**Observation:**

Through discussion with management and Board representatives, MNP was informed that the Regional District's financial plan was amended multiple times throughout the year.

Impact:

MNP notes that multiple financial plan amendments can reduce the accountability to the public of budget versus actual comparisons, and can impact completion of projects (for example, if cost increases result in the financial plan amendment process taking place and delaying staff ability to complete the work).

Recommendation:

MNP recommends that the Regional District perform a review of policies and procedures around budgeting, financial plan amendments, project management and purchasing authorities and thresholds, with the goal of balancing efficiency, internal controls, risk management and public accountability.

Management's response:

The SCRD Board adopted a new Financial Planning Policy in 2022 which addressed Financial Plan Bylaw amendments. This issue will continue to be monitored throughout the year.

We have discussed the matters in this letter with Tina Perreault and Brad Wing and received their comments thereon.

We would like to express our appreciation for the co-operation and assistance we have received during the course of our audit from Tina, Brad and the finance staff.

We would be pleased to discuss with you further any matters mentioned in this letter at your convenience. This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to any third party who uses this communication.

Sincerely,



MNP LLP

Chartered Professional Accountants