

CHAN NOWOSAD BOATES
CHARTERED PROFESSIONAL ACCOUNTANTS





Village of Sayward

Audit Findings Report

For the year ending December 31, 2020

April 6, 2021

Chan Nowosad Boates Inc., Chartered Professional Accountants

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STATUS

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include:

- Obtaining evidence of the Mayor and Council's approval of the financial statements;
- Obtaining a signed management representation letter, dated the date of the Mayor and Council's approval of the financial statements.
- Obtaining the Mayor and Council's approval of the unadjusted journal entries, dated prior to the approval of the financial statements.

Please refer to the copies provided of our draft audit report and financial statements. We will update you on any significant matters arising from the completion of the audit, including completion of the above procedures.

Our audit report will be dated upon completion of any remaining procedures.



SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

MATTERS RELATED TO MANAGEMENT'S JUDGEMENT AND ESTIMATES

CAPITAL ASSETS

- In fiscal 2020, the Village continued work on the Newcastle Dam decommissioning. In the year, it was determined that the costs to complete the project had increased beyond the original budget by \$208K due to a series of weather delays and scope changes. As at December 31, 2020, the project is approximately 47% complete with costs to date totaling \$557,133.
- Total capital additions in the year included:
 - Public Works Truck - \$60K
 - Computer Hardware Upgrade - \$9.8K
 - Water Treatment Plant Generator - \$44K
 - Newcastle Dam - \$5.8K

CNB COMMENTS

- We vouched 73% of the capital additions to third-party invoices and documentation as part of verifying the existence and accuracy of the reported amounts.
- We discussed the capital projects with management and obtained progress reports to verify the status of projects.
- We discussed the decision to transition the dam to a weir, and the valuation of the dam as at December 31, 2020.
- No amortization has been taken on the Newcastle Dam project as it is classified as Work in Progress. No amortization has been taken on the Computer Hardware Upgrade as the current year additions occurred

MISSTATEMENTS AND SIGNIFICANT CONTROL DEFICIENCIES

- No significant control deficiencies were identified as a result of the above.
- No adjusting entries have been proposed as a result of the above.

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS (CONTINUED)

MATTERS RELATED TO MANAGEMENT'S JUDGEMENT AND ESTIMATES

PRIOR PERIOD ADJUSTMENTS

- In the current year it was identified that funding from the Provincial and Federal governments for the Newcastle Dam decommissioning differed from management's understanding of the funding. According to the terms of the funding agreement, the Province was to fund 33% of the costs for the project, the Federal government was to fund 50% of the costs, and the Village was to cover the remaining costs. The Village had previously accounted for the funding as though 100% of the costs would be reimbursed.
- The Province provided an upfront contribution for the project in fiscal 2017 totaling \$209K which was correctly recorded as deferred revenue, but draws were taken on the funds as if the Province was funding 100% of the costs for the project in fiscal 2018 and 2019.
- The Village recorded the difference between costs on the project and draws from the deferred revenue as receivable.

CNB COMMENTS

- We reviewed the terms of the funding agreement to verify the correct allocation of funds between the Province and Federal governments and the Village.
- We recalculated the correct balances for fiscal 2017, 2018, 2019 and 2020 for Deferred Revenue, Accounts Receivable and Revenue based on the terms of the agreement and the costs for the project to date.
- We recalculated the difference between the recalculated balances and the amounts previously recorded to identify the value of misstatements in prior periods.

MISSTATEMENTS

- For the year ending December 31, 2018, we proposed a prior period adjusting entry to increase deferred revenue by \$51,404, increase accounts receivable by \$37,982 and decrease revenue by \$13,422.
- For the year ending December 31, 2019, we proposed a prior period adjusting entry to increase deferred revenue by \$27,333, decrease accounts receivable by \$66,806 and decrease revenue by \$80,717.
- For the year ending December 31, 2020, we proposed a current period adjusting entry to decrease deferred revenue by \$1,931, decrease accounts receivable by \$2,926 and decrease revenue by \$995.

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS (CONTINUED)

MATTERS RELATED TO MANAGEMENT'S JUDGEMENT AND ESTIMATES

DEFERRED REVENUE - INTERNET

- In the previous fiscal year ending December 31, 2019, it was identified that a lease agreement between the Village of Sayward, Comox Strathcona Regional District and Sayward Valley Communications was no longer in effect as Sayward Valley Communications had sold its' customers to a third party.
- Amounts collected to date were restricted for use on equipment upgrades and repairs according to the original agreement, and if unspent at conclusion of the contract were to be repaid to the original funders of the project.
- As at the financial statement issuance date, the Village is working with the Regional District to attempt to recuperate lost funds due to premature termination of the contract. There is no indication that the Village will be repaying the deferred funds at this date.

CNB COMMENTS

- We reviewed the terms of the agreements for the ownership of the equipment and the lease of the equipment. We also discussed details of the agreements and events in the current year with management.
- As at December 31, 2020, the Village has not identified what will occur with the internet assets and equipment owned by the Village. The lease agreement states that Sayward Valley Communications would be responsible for collecting the equipment in the event of contract termination, however the assets are still in use by the third party internet provider.
- Deferred revenue accumulated from prior year internet equipment rental fees has not been recognized as is potentially repayable in part to the original funders.

MISSTATEMENTS AND SIGNIFICANT CONTROL DEFICIENCIES

- We proposed an uncorrected journal entry to accrue uncollected equipment rental fees earned since the contract was prematurely terminated as deferred revenues.
- No significant control deficiencies were identified as a result of the above.

SIGNIFICANT QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

The following are the significant qualitative aspects of the accounting practices of the Village that we plan to discuss with you:

- We believe that the Village's significant accounting policies are appropriate given its nature and its operations.
- The Village has not changed any of its significant accounting policies during the period to which the presented financial statements relate.
- The Village has disclosed its significant estimates in Note 2 of the financial statements.
- We found no basis on which to disagree with management's estimates.
- With respect to significant disclosures, we have no significant matters to communicate in this area.

MISSTATEMENTS

OTHER SIGNIFICANT MATTERS

Misstatements identified during the audit have been categorized as follows:

- Uncorrected misstatements, including disclosures
- Corrected misstatements, including disclosures

Note that for audit purposes, we did not report or investigate further any misstatements identified that were under \$1,450.

Further, note that all uncorrected misstatements are individually or in aggregate by financial statement line item, less than our audit materiality of \$29,000.

We have identified uncorrected misstatements, which are attached to the management representation letter to be signed by management.



CONTROL DEFICIENCIES

BACKGROUND AND PROFESSIONAL STANDARDS

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal controls.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies have been identified.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

IDENTIFICATION

We identified significant and other than significant internal control deficiencies that are included within our Management Letter.





APPENDICES

- 1) Draft Independent Auditor's Report
- 2) Management Letter
- 3) Management Representation Letter
- 4) Uncorrected Audit Differences

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of The Corporation of the Village of Sayward

Opinion

We have audited the accompanying financial statements of The Corporation of the Village of Sayward (the "Village"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "financial statements").

In our opinion, the Village's financial statements present fairly, in all material respects, the financial position of the Village as at December 31, 2020, and of its financial performance and its cash flows for the year then ended. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

Basis of 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 of 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 intends for the Village to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for over-seeing the Village's financial reporting process.

Auditors' 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 the users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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.
- 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
Campbell River, BC

April 6, 2021

April 6, 2021

Lisa Clark, CPA, CGA
Chief Financial Officer
Village of Sayward
PO Box 29
652-A H'Kusam Way
Sayward, BC
V0P 1R0

Dear Ms. Clark:

We have expressed an opinion on the financial statements (hereinafter referred to as "annual financial statements") of the Corporation of the Village of Sayward (the "Village") for the year ended December 31, 2020 and have issued our audit report thereon dated April 6, 2021. This letter does not affect our audit report.

As indicated in our engagement letter dated February 5, 2020:

- In planning and performing our audit in accordance with professional standards we have obtained an understanding of the Village's internal control over financial reporting to identify types of potential misstatements, consider factors that affect the risks of material misstatement, and design the nature, timing and extent of further audit procedures. This understanding will not be sufficient to enable us to render an opinion on the effectiveness of internal control over financial reporting. We have not considered internal control over financial reporting since the date of our audit report.
- Management is responsible for the Village's internal control, including the design, implementation and operation of internal control over financial reporting to prevent and detect fraud and error, including internal controls over the financial reporting process and the accuracy of period-end adjusting journal entries. Management is also responsible for disclosing to us any known control deficiencies in the design and implementation or operation of internal control over financial reporting.
- Auditors conducting an audit in accordance with professional standards obtain reasonable assurance that the annual financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. It is important to recognize that auditors cannot obtain absolute assurance that material misstatements in the annual financial statements will be detected, because of factors such as: the use of judgment; the use of testing of the data underlying the annual financial statements; the inherent limitations of internal control over financial reporting; and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature. Furthermore, because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with professional standards may not detect a material fraud. While effective internal control over financial reporting reduces the likelihood that misstatements will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot

guarantee that fraud, error or illegal acts, if present, will be detected when conducting an audit in accordance with professional standards.

Since the purpose of the audit is to express an opinion on the financial statements, we did not plan and perform the audit with a view to identify all control deficiencies that might exist. We have not performed audit procedures to obtain reasonable assurance, and are not providing any assurance on the effectiveness of internal control over financial reporting.

This letter is a by-product of the audit. This letter is intended solely for the purposes of management and those charged with governance and is not suitable for any other purposes. Chan Nowosad Boates Inc. shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, any other purposes.

DEFINITIONS

A control deficiency is a deficiency in the design or effective operation of internal control. A deficiency in design exists when

- (a) a control necessary to meet the control objective is missing or
- (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective is not always met.

A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

CANADIAN AUDITING STANDARDS

A material weakness is a deficiency or combination of deficiencies in internal control over financial reporting such that a material misstatement of the Village's annual financial statements is not likely to be prevented or detected.

PROFESSIONAL STANDARDS

Professional standards require us to:

- communicate material weaknesses identified during the audit to management and those charged with governance
- communicate control deficiencies identified during the audit that are important enough to merit attention by those responsible for oversight of the Village's financial reporting to management and those charged with governance.
- communicate all control deficiencies identified during the audit to management and inform those charged with governance that such communication occurred.

MATERIAL WEAKNESSES

During the audit, we identified control deficiencies that we would consider to be a material weakness as defined above. These are presented in Appendix A.

CONTROL DEFICIENCIES THAT ARE IMPORTANT ENOUGH TO MERIT ATTENTION BY THOSE RESPONSIBLE FOR OVERSIGHT OF THE VILLAGE'S FINANCIAL REPORTING

In Appendix B, we present matters involving the design or operating effectiveness of internal controls that we concluded to be a control deficiency that would be important enough to merit attention by those responsible for oversight of the Village's financial reporting.

The control deficiencies identified in this letter have been discuss with the appropriate members of management and is considered significant as opposed to a control deficiency that would exist but be considered other than significant.

Yours truly,

CHAN NOWOSAD BOATES INC.

Derek M. Lamb, CPA, CA

Partner

250-286-0744

derek@cnbcpa.ca

APPENDIX A – SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

1. Approval of Payroll Reports

Observation:

During our payroll testing, we noted instances where there was no formal indication of review by management on more than one payroll report during the period where there was no CAO or CFO employed.

Of importance to note – we did not identify anything untoward or inappropriate as a result of this noted control deficiency, and management has implemented this control since the deficiency occurred.

Effect:

There is risk that incorrect payroll could be processed, including fictitious employees, hours paid in excess of actual, incorrect wage rates, and incorrect salary amounts without formal review by management.

Recommendation:

We recommend that the Village of Sayward ensure all payroll reports are reviewed and signed to indicate review prior to funds being released for payment.

2. Payments to Employees

Observation:

During our audit procedures, we noted an instance where an employee was approved for an additional amount to be paid biweekly due to increased duties, but amounts were not set up through payroll, with the employee setting up the payment themselves as if they were a contractor. This occurred during the period where there was no CAO or CFO employed.

Of importance to note – we did not identify anything untoward or inappropriate as a result of this noted control deficiency, and these payments were repaid to the Village and ultimately run through payroll appropriately once this was identified by management.

Effect:

There is risk that employees could pay themselves as contractors outside of the payroll system, with small payments going unnoticed and their gross payroll being incorrect. The Village would be liable for payroll benefits that were not paid on any of those payments.

Recommendation:

We recommend that the Village of Sayward ensure that all payments to staff members are run through payroll as appropriate. These payments should follow the same review and approval process as all payroll amounts, requiring approval of timesheets, payroll reports and payments.

3. Approval and Documentation of Pay Raises for Staff**Observation:**

During our audit procedures, we noted pay raises to staff that had not been documented and stored in their personal file. This occurred during the time where there was no CAO or CFO employed.

Of importance to note – we did not identify anything untoward or inappropriate as a result of this finding and were able to determine the pay raises noted had been approved by council.

Effect:

There is a risk that employees may be paid at a higher rate of pay than what has been approved by the Mayor and Council. There is also a risk that employees could be questioned for wages they are being paid, with no documentation available to support wages.

Recommendation:

We recommend that a formal letter written and signed by management be kept within employee files when an adjustment to that employee's rate of pay has been made. In addition, the letter should also be signed by the employee as acknowledgement of the adjustment.

4. Review and Approval of Employee Timesheets**Observation:**

During the Audit, we noted instances of employee timesheets being processed through payroll without approval by management. This occurred during the period of time where there was no CAO or CFO employed.

Of importance to note – we did not identify anything untoward or inappropriate as a result of this noted control deficiency, and management has implemented this control since the deficiency occurred.

Effect:

There is risk that payroll could be processed incorrectly, including fictitious employees or hours paid in excess of actual without formal review by management.

Recommendation:

We recommend that the Village ensure all employee timesheets are reviewed and signed to indicate review prior to the processing of payroll. Department managers should review and approve timesheets of their department employees, and the CAO or CFO should review and approve the timesheets of department managers as well as administrative staff.

In the absence of the CFO, timesheets should be reviewed and signed by the CAO, the Mayor, or a member of Council.

Management Comments on Significant Deficiencies of Internal Control:

The significant internal control deficiencies described above occurred during the period of time where there was no CAO or CFO employed. These deficiencies have been investigated and corrected since the employment of the CFO, and internal controls have been reviewed and rectified.

APPENDIX B – OTHER THAN SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

1. Dual Signature of Cheques

Observation:

During our control testing and walkthroughs of controls we noted one batch of cheques that did not contain dual signatures. These cheques only contained the signature of the Mayor.

Of importance to note – we did not identify anything untoward or inappropriate as a result of this noted control deficiency, and we have noted that dual signatures are regular practice.

Effect:

There is potential for incorrect or inappropriate payments to be made without dual signatures prior to the disbursement of funds.

Recommendation:

We recommend that the Village of Sayward ensure all cheques contain two signatures prior to being sent out for payment to reduce the risk of incorrect or inappropriate payments. We also recommend that the Village follow up with the bank to ensure the bank is aware that two signatures are required.

2. Review and Approval of Bank Deposits

Observation:

During the audit, we noted that the bank deposits have been prepared and approved by the Deputy Financial/Administrative Officer, with no apparent review by Management, Council, or the Mayor.

Of importance to note – we did not identify anything untoward or inappropriate as a result of this noted control deficiency.

Effect:

There is risk that without appropriate review of bank deposits that funds, specifically cash, could go unrecorded and deposited into a personal account instead of the villages account.

Recommendation:

We recommend that the CFO review and sign off on all bank deposits before they go to the bank, as well as review and sign the deposit slip received from the bank after the deposit has been made.

In the CFO's absence, bank deposits should be reviewed and approved by the CAO, the Mayor, or a member of Council.

3. Approval of Purchase Orders

Observation:

During the audit, we noted that purchase orders have not been approved by the CFO or CAO.

Of importance to note – we did not identify anything untoward or inappropriate as a result of this noted control deficiency.

Effect:

There is risk that without appropriate review and approval of purchase orders that Village funds could be spent on items outside the scope of the budget or on items for personal use.

Recommendation:

We recommend that the CFO review and approve all purchase orders to ensure that funds spent are within the budget and appropriate for use by the Village.

In the CFO's absence, purchase orders should be reviewed and approved by the CAO, the Mayor, or a member of Council.

4. Review and Approval of Bank Reconciliations

Observation:

During the audit, we noted that the bank deposits have been prepared and approved by the Deputy Financial/Administrative Officer, with no apparent review by Management, Council, or the Mayor.

Of importance to note – we did not identify anything untoward or inappropriate as a result of this noted control deficiency, and management has implemented this control since the deficiency occurred.

Effect:

There is risk that without appropriate review of bank deposits that funds, specifically cash, could go unrecorded and deposited into a personal account instead of the village account.

Recommendation:

We recommend that the CFO review and sign off on all bank deposits before they go to the bank, as well as review and sign the deposit slip received from the bank after the deposit has been made.

In the CFO's absence, bank deposits should be reviewed and approved by the CAO, the Mayor, or a member of Council.

5. Review and Approval of Journal Entries

Observation:

During the audit, we noted that journal entries had been prepared and approved by the Deputy Financial/Administrative Officer, with no apparent review by Management, Council, or the Mayor.

Of importance to note – we did not identify anything untoward or inappropriate as a result of this noted control deficiency, and management has implemented this control since the deficiency occurred.

Effect:

There is risk that without appropriate review of journal entries, incorrect or inappropriate journal entries could occur resulting in errors.

Recommendation:

We recommend that the CFO review and sign off on all journal entries as well as the associated supporting documentation for those journal entries.

In the CFO's absence, journal entries should be reviewed and approved by the CAO, the Mayor, or a member of Council.

6. Review of Monthly Financial Statements and Budget Variances

Observation:

During the audit, we noted that financial statements and budget variances were not being reviewed on a monthly basis by Mayor and Council consistently throughout the year.

Of importance to note – we did not identify anything untoward or inappropriate as a result of this noted control deficiency, and this process has been reinstated since the deficiency occurred.

Effect:

Without appropriate review of financial statements and budget variances, there is a risk that errors or inconsistencies in the financial statements will go unidentified on a timely basis. This will also reduce the Mayor and Council's ability to act on items requiring their attention.

Recommendation:

We recommend that Mayor and Council review financial statements and budget variances on a monthly basis to ensure appropriate oversight of the Village's finances is occurring.

7. Preparation and Review of Petty Cash Reconciliation

Observation:

During the audit, we noted that no petty cash ledger or reconciliation was being kept consistently throughout the year.

Of importance to note – we did not identify anything untoward or inappropriate as a result of this noted control deficiency, and management has implemented this control since the deficiency occurred.

Effect:

Without keeping a ledger or reconciliation of deposits and withdrawals from petty cash, there is a risk that petty cash could be misappropriated or lost and that payments made or received would be missing from the Village's financial statements.

Recommendation:

We recommend that Village staff keep a ledger of withdrawals and deposits from petty cash that is reconciled on a monthly basis. This should be reviewed by the CFO monthly. Any discrepancies should be investigated.

8. Review and Approval of Online Bill Payments

Observation:

During the audit, we noted that online bill payments can occur without secondary approval by an authorized signatory.

Of importance to note – we did not identify anything untoward or inappropriate as a result of this noted control deficiency, and the Village is in the process of taking action to resolve this.

Effect:

Without secondary approval by an authorized signatory, there is a risk that amounts paid could be incorrect or inappropriate.

Recommendation:

We recommend that Village implement a control process in which online bill payments require automatic dual authorization before payment can occur. This will ensure payments are correct and appropriate.

The Corporation of the Village of Sayward

**PO Box 29
652A H'Kusam Way
Sayward, BC
V0P 1R0**

April 6, 2021

To Chan Nowosad Boates Inc.
980 Alder Street
Campbell River, British Columbia
V9W 2P9

Dear Sir/Madame:

This representation letter is provided in connection with your audit of the financial statements of The Corporation of the Village of Sayward for the period 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 (PSAS).

In making the representations outlined below, we took the time necessary to appropriately inform ourselves on the subject matter through inquiries of entity personnel with relevant knowledge and experience, and, where appropriate, by inspecting supporting documentation.

We confirm that (to the best of our knowledge and belief):

1. Financial Statements

We have fulfilled our responsibilities as set out in the terms of the audit engagement dated February 5, 2020 for:

- a. Preparing and fairly presenting the financial statements in accordance with Canadian Public Sector Accounting Standards;
- b. Providing you with:
 - i. Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as:
 - A. Accounting records, supporting data and other relevant documentation,
 - B. Minutes of meetings (such as Mayor and Council) or summaries of actions taken for which minutes have not yet been prepared, and
 - C. Information on any other matters, of which we are aware, that is relevant to the preparation of the financial statements;
 - ii. Additional information that you have requested from us for the purpose of the audit; and
 - iii. Unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.
- c. Ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements; and

- d. Designing and implementing such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We have also communicated to you any deficiencies in the design and implementation or the maintenance of internal control over financial reporting of which management is aware.

2. Fraud and Non-Compliance

We have disclosed to you:

- a. All of our knowledge in relation to actual, alleged or suspected fraud affecting the entity's financial statements involving:
 - i. Management;
 - ii Employees who have significant roles in internal control; or
 - iii Others where the fraud could have a material effect on the financial statements;
- b. All of our knowledge in relation to allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others;
- c. All known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements that should be considered when preparing the financial statements;
- d. All known, actual, or possible litigation and claims that should be considered when preparing the financial statements; and
- e. The results of our risk assessments regarding possible fraud or error in the financial statements.

3. Related Parties

We confirm that there were no related-party relationships or transactions that occurred during the period.

4. Estimates

We acknowledge our responsibility for determining the accounting estimates required for the preparation of the financial statements in accordance with Canadian Public Sector Accounting Standards. Those estimates reflect our judgment based on our knowledge and experience of past and current events, and on our assumptions about conditions we expect to exist and courses of action we expect to take. We confirm that the significant assumptions and measurement methods used by us in making accounting estimates, including those measured at fair value, are reasonable.

5. Subsequent Events

All events subsequent to the date of the financial statements and for which Canadian Public Sector Accounting Standards requires adjustment or disclosure have been adjusted or disclosed.

6. Commitments and Contingencies

There are no commitments, contingent liabilities/assets or guarantees (written or oral) that should be disclosed in the financial statements. This includes liabilities arising from contract terms, illegal acts or possible illegal acts, and environmental matters that would have an impact on the financial statements.

7. Adjustments

We have reviewed, approved and recorded all of your proposed adjustments to our accounting records except for those included in #8 below. This includes journal entries, changes to account coding, classification of certain transactions and preparation of, or changes to, certain accounting records.

8. Misstatements

The effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements, including the reasons why they were not corrected, is attached to this letter.

9. Other Representations

Accounting Policies

All significant accounting policies are disclosed in the financial statements and are consistent with those used in the previous period.

Future Plans

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

Yours truly,

Lisa Clark, CPA, CGA
CFO

The Corporation of the Village of Sayward

Year End: December 31, 2020

Unrecorded journal entries

Date: 1/1/2020 To 12/31/2020

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
UAJE1	12/31/2020	MFA Debt Reserve Fund	01-07-30-0780	KK.200A		5,296.53		
UAJE1	12/31/2020	MFA Debt Reserve Fund	01-07-31-0789	KK.200A		1,822.27		
UAJE1	12/31/2020	Debenture - Sewer	01-08-11-0908	KK.200A	5,296.53			
UAJE1	12/31/2020	Debenture - Water	01-08-12-0908	KK.200A	1,822.27			
		To net the MFA debt reserve against the LTD with MFA						
UAJE 3	12/31/2020	Accounts Receivable - Other	01-03-00-0740	GG.300	7,333.32			
UAJE 3	12/31/2020	Deferred Revenue - Internet Maintenance	01-04-00-0840A	GG.300		7,333.32		
		To record estimated amounts receivable from Sayward Valley Communications with regards to their equipment lease between the Village and SRD.						
					14,452.12	14,452.12		
		Net Income (Loss)	396,470.83					



THANK YOU

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