



REGIONAL DISTRICT OF BULKLEY-NECHAKO

SPECIAL BOARD MEETING

**SUPPLEMENTARY AGENDA
Thursday, March 10, 2016**

PAGE NO.

REPORT

ACTION

2-11

**Hans Berndorff, Financial Administrator
- Audit Engagement Letter**

**Recommendation
(Page 2)**

SUPPLEMENTARY AGENDA

NEW BUSINESS

ADJOURNMENT



Regional District of Bulkley-Nechako Memo – Board Supplementary Agenda March 10, 2016

To: Chair Miller and the Board of Directors
From: Hans Berndorff, Financial Administrator
Date: March 9, 2016
Re: Audit Engagement Letter

Attached is an engagement letter from the auditors Price Waterhouse Coopers (formerly RHB Schmitz de Grace) outlining the nature and scope of the upcoming audit. I have reviewed the engagement letter and find it to be consistent with usual practice. The estimated fee of \$18,400 is 3% higher than last year.

The Board is being requested to consider approving the attached engagement letter for signature.

I would be pleased to answer any questions.

Recommendation:

(all/directors/majority)

That the Financial Administrator's March 9, 2016 memo regarding the audit engagement letter be received; and,
 Further, that the Audit Engagement Letter for the year ended December 31, 2015 be approved for signature.



December 31, 2015

Mr. Hans Berndorff
 Regional District of Bulkley-Nechako
 PO Box 820
 Burns Lake, BC
 V0J 1E0

Dear Regional District of Bulkley-Nechako

PricewaterhouseCoopers LLP (we, us or our), a limited liability partnership organized under the laws of the Province of Ontario, is pleased to provide services to Regional District of Bulkley-Nechako (you or your). This engagement letter confirms our mutual understanding of the specific terms of our engagement, which are supplemented by the standard terms of business attached to this engagement letter. Our fee estimate and billing schedule are outlined in Schedule A. If there is any difference between our standard terms of business and the specific terms included in this letter, specific terms shall apply.

Services and related report

We will provide the following services (the services):

**Annual
 financial
 statements
 audit**

We will audit your financial statements as at December 31, 2015 for the year then ended (the financial statements, together the audit).

These financial statements will be prepared in accordance with the requirements of Canadian Public Sector Accounting Standards.

**Auditor's
 report**

Once we complete our annual audit, we will provide you with our auditor's report on the work referred to above. The form and content of our auditor's report will be in accordance with Canadian Auditing Standard 700, *Forming an Opinion and Reporting on Financial Statements*

There may be circumstances where our auditor's report may differ from the expected form and content. In such cases, we will discuss with you in advance of finalizing our report and seek to resolve any differences of view that may exist.

If, for any reasons caused by or relating to the affairs of you or your management, we are unable to complete our services, we may decline to issue our auditor's report.

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Our responsibilities

Annual financial statements audit

The purpose of a financial statement audit is to express an opinion on the financial statements. We will be responsible for performing the audit in accordance with Canadian generally accepted auditing standards or International Standards on Auditing. These standards require that we comply with ethical standards, which include independence and professional competence, and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by you, as well as evaluating the overall presentation of the financial statements.

Consistency of accounting principles

It is our responsibility to assess whether the accounting principles used to prepare the financial statements have been applied on a basis consistent with that of the preceding year and to report on that matter in the auditor’s report under “Report on other legal and regulatory requirements”.

Risk assessment

In making our risk assessments, we will consider internal control relevant to the preparation of the financial statements 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 your internal control. But, we will let you and the Board of Directors know, as appropriate, in writing about any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

Informing the Board of Directors

We also are responsible for ensuring that the Board of Directors is informed about certain other matters related to the performance of our audit, including but not limited to:

- (i) our views about significant qualitative aspects of your accounting practices, including accounting policies, accounting estimates and financial statement disclosures. In certain circumstances, we may be required to explain to the Board of Directors why we consider a significant accounting practice, that is acceptable under the applicable financial reporting framework, not to be most appropriate to your particular circumstances;
- (ii) significant difficulties, if any, encountered during our audit;
- (iii) where the Board of Directors is not involved in managing the entity, we are also required to communicate:
 - significant matters, if any, arising from our audit that were discussed, or



- subject to correspondence with management; and
- written representations we are requesting; and
- (iv) other matters, if any, arising from our audit that, in our professional judgment, are significant to the oversight of the financial reporting process.

Reliance by third parties

The services will not be planned or conducted in contemplation of reliance by any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly, in connection with a specific transaction.

Written consent

You agree to seek and obtain our written consent before including our auditor's report or referring to us in any document that is filed or distributed in connection with (i) a sale of securities; (ii) facilitating investment decisions by third parties; or (iii) periodic or continuous reporting obligations under any applicable securities laws.

Any agreement to provide consent will be a separate engagement. Written consent must be given by a specific written instrument signed by us and referencing the particular use that is to be made of our auditor's report. You acknowledge that neither the terms of this engagement letter, nor the issuance of our auditor's report, nor any other document, constitutes such written consent. We may, in our own discretion, waive the requirement to obtain our written consent.

Your responsibilities

Responsibility for financial statements and internal control

You are responsible for the preparation and the fair presentation of the financial statements and information referred to above. You are also responsible for establishing and maintaining an effective system of internal control over financial reporting to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In this regard, you are responsible for establishing policies and procedures that ensure financial statements are prepared in accordance with the requirements of Canadian Public Sector Accounting Standards.

Correction of errors

You are responsible for adjusting the financial statements to correct material misstatements and for confirming to us that all uncorrected misstatements identified by us during our audit are immaterial, both individually and in total, to the financial statements taken as a whole. In addition, we expect management will correct all known non-trivial errors.

Prevention and detection of fraud

You are also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us:

- (i) of the risk that the financial statements may be materially misstated as a result of fraud;



- (ii) about all known or suspected fraud affecting you involving (a) management, (b) employees who have significant roles in internal control over financial reporting and (c) others where the fraud could have a non-trivial effect on the financial statements; and
- (iii) of your knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, investors or others.

Related party	You are responsible for disclosing to us the identity of each related party as defined in [The CPA Handbook - Accounting Part V - Section 3840 - <i>Related Party Transactions</i> / The CPA Handbook - Accounting Part II - Section 3840 - <i>Related Party Transactions</i> / Accounting Standard Codification 850 - <i>Related Party Disclosures</i> / The CPA Handbook - Accounting Part I – International Accounting Standard 24 - <i>Related Party Disclosures</i> / The CPA Handbook - Accounting Part III – Section 4460 – <i>Disclosure of Related Party Transactions by Not-for-profit Organizations</i> /CPA Canada Public Sector Accounting Handbook– Section 4260 - <i>Disclosure of Related Party Transactions by Not-for-profit Organizations</i>] and all the related party relationships and transactions of which you are aware and, for providing to us any updates that occur during the course of this engagement.
Subsequent events	You are responsible for informing us of subsequent events that may affect the financial statements of which you may become aware up to the date the financial statements are issued.
Laws and regulations	You are responsible for identifying and ensuring that you comply with the laws and regulations applicable to your activities, including those pertaining to the services. You will make available to us information relating to any illegal or possibly illegal acts, and all facts related thereto and will provide information to us relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements.
Providing information on a timely basis	You are responsible for making available to us, on a timely basis, all of your original accounting records and related information relevant to the preparation of the financial statements, additional information that we may request from you for the purposes of our audit and unrestricted access to your personnel who we may determine necessary to obtain evidence necessary to support our audit of the financial statements.
Management representation letter	You will provide us with written representations concerning representations made to us during the audit covering the financial statements.



Other matters

**Term –
agreement
continues in
force**

It is understood that an engagement letter outlining our services will be entered into each year, including any update to the fee estimate and billing schedule. If neither we nor you exercise our respective right to terminate the services as outlined in the attached terms of business, this engagement letter will continue until we execute a new engagement letter.

As part of our process of assessing the quality of our services, you may receive questionnaires from us and visits from senior partners not directly involved in providing services to you. We appreciate the attention given to these questionnaires and visits and value your feedback.

If the services outlined herein are in accordance with your requirements and, if the above terms are acceptable, please have one copy of this letter executed in the spaces provided below and return it to us.

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Professional Accountants¹²

The services and terms as set forth in this letter, including the provisions of the attached schedule[s] and our standard terms of business, are agreed to.

Regional District of Bulkley-Nechako by and through its Board of Directors

By:

Mr. Hans Berndorff, Financial Administrator

Date

By signing below, the services and terms as set forth in this letter, including the provisions of the attached schedule and our standard terms of business, are agreed to, and I acknowledge and agree to my obligation to ensure that the responsibilities of Regional District of Bulkley-Nechako and its management as set forth herein are properly discharged:

Schedule A ***Fees and billing schedule***

Our Fee Estimate

Our fees for the services are estimated to be \$ 18,400 plus applicable taxes.

We will bill for all reasonable expenses incurred in the performance of our services. These costs may include direct costs such as travel, meals and accommodation. An administrative charge, representing an overhead allocation of 5% of professional fees, will be charged to cover costs, such as information technology support, telecommunication costs, technical reference material, courier and photocopying.

Conditions Impacting our Time and Fee Estimates

Our time and fee estimates take into account the agreed level of preparation and assistance from you. We will let you know promptly when and if for any reason the schedules, information and assistance provided as outlined in this engagement letter, are not sufficient for our services. We will provide you with a separate listing of required schedules, information requests and the dates such items are needed. We will also discuss with you and the Board of Directors any other issues that will require extra time and effort to resolve in order to revise the fee estimate to reflect additional services, if any, required for us to complete our work.

Terms of business

1	Introduction
2	PwC Firms, service providers and subcontractors
3	Your responsibilities
4	Confidentiality
5	Professional and regulatory oversight
6	Personal information
7	Working papers
8	Liability
9	Termination
10	Governing law
11	General

1 Introduction

- 1.1 **Interpretation** – In this agreement, the following words and expressions have the meaning given to them below:
services – the services set out in the engagement letter
the agreement – these terms and the engagement letter to which they relate (including any schedules)
we, us or our – refer to PricewaterhouseCoopers LLP, a limited liability partnership organized under the laws of the Province of Ontario
you, your – the party or parties, including their management, to the agreement (excluding us)
- 1.2 **Changes** – Either we or you may request a change to the services, deliverables or this agreement. Any change will be effective only when agreed in writing.
- 1.3 **Purpose** – You acknowledge that our report is intended for the purpose of the oversight of management and the affairs of the legal entity that is the subject of the services.

2 PwC Firms, service providers and subcontractors

- 2.1 **Our relationship with you** – We are a member of the global network of PricewaterhouseCoopers firms (PwC Firms), each of which is a separate and distinct legal entity.
- 2.2 **Subcontractors and service providers** – We may use other PwC Firms, service providers and subcontractors to provide the services and support service delivery. We remain solely responsible for the services and deliverables.
- 2.3 **Restriction on claims** – You agree not to bring any claim or action against another PwC Firm (or its partners, members, directors or employees) or our subcontractors in respect of any liability relating to the services, deliverables or the agreement.

3 Your responsibilities

- 3.1 **Your obligations** – The performance of our services and provision of the deliverables depends on your performing your obligations under the agreement. We are not responsible for any consequences arising from you not fulfilling your obligations.
- 3.2 **Solicitation and hiring of PwC personnel** – Our independence related to assurance engagements may be impaired if you solicit or hire certain PwC personnel. This may either delay the provision of the services or cause us to resign from the engagement. You agree not to offer or permit your related parties to offer employment to or hire the lead engagement partner, the quality review partner or any other PwC partner, employee and/or independent contractor who has provided more than ten (10) hours of audit or review services until a period of twelve (12) months has passed from the date of our report on the applicable financial statements without first consulting with and obtaining the approval of the lead engagement partner on any proposed offer of employment.
- 3.3 **Oral advice and draft deliverables** – You may rely on our final written deliverables, but should not rely on oral advice or draft deliverables provided during the term of this agreement. If you wish to rely on something we have said to you, please let us know and, if possible, we will prepare a written deliverable on which you may rely.

4 Confidentiality

- 4.1 **Confidential information** – We and you agree to use the other party's confidential information, if any, only in relation to the services or internal and administrative purposes and to take reasonable steps to prevent disclosure, recognizing that disclosure will be permitted where required by law or professional obligation. You agree that we may give confidential information to third party service providers, subcontractors and other PwC Firms as long as they are bound by reasonable confidentiality obligations.
- 4.2 **Benchmarking** – From time to time we may offer our clients, like you, the service of benchmarking your business against other businesses in your industry, and providing you with the result of such comparison. Your information, together with the information from other businesses in your industry, may be used in such benchmarking studies, but will always be pooled with information from other such businesses, so that no one will be able to identify or reverse engineer any of your confidential information. You consent to our use and disclosure of your information, in aggregate form, for benchmarking purposes.

- 4.3 **Working with competitors** – You agree that we may work with your competitors or other parties whose interests may conflict with yours, as long as we do not disclose your confidential information and we comply with our ethical obligations.

5 Professional and regulatory oversight

- 5.1 **Reviews of us** – We are required to meet certain professional standards in the performance of our services. As such, we are regulated or overseen by various professional and regulatory bodies both in Canada and abroad (which bodies will depend on the nature of the services performed under this agreement). These professional and regulatory bodies have the right to inspect our files, including working papers and other work product(s) relating to these services or the services provided in prior years to determine whether professional standards have been met. We may, from time to time, receive requests or orders from such bodies to provide them with information and copies of such working papers. We intend to provide such information and working papers in response to such requests.
- 5.2 **Reviews of you** – Certain regulatory bodies may also have the right to conduct investigations of you, including the services provided by us. To the extent practicable, we will advise you of any such investigation request or order prior to providing our working papers, except where we are prohibited by law from doing so.
- 5.3 **Privileged information** – Except where providing working papers is required by the laws of any jurisdiction that you or we are governed by, we will use all reasonable efforts to refuse access to any document over which you have expressly informed us that you assert privilege. You must mark any document over which you assert privilege as “PRIVILEGED”.
- 5.4 **Reimbursement of costs incurred** – You agree to reimburse us for our professional time and expenses, as well as reasonable fees and expenses of our legal counsel, incurred by us in responding to any investigation that is requested or authorized by you or of you required by government regulation, subpoena or other legal process.

6 Personal information

- 6.1 **Personal information** – We may collect, use, disclose, transfer, store or otherwise process information about identified individuals (“personal information”) to provide the services and deliverables. We may process such personal information in various jurisdictions in which we or applicable PwC Firms, service providers and subcontractors operate, and, as such, personal information may be subject to the laws of such jurisdictions. Such personal information will be at all times processed in accordance with the applicable laws and professional regulation. In addition, we will require any service providers that process personal information on our behalf to adhere

to such requirements. You confirm that you have the authority to provide the personal information to us in connection with the performance of services and that the personal information provided to us has been provided in accordance with applicable law.

7 Working papers

- 7.1 **Ownership** – Any documents prepared by us or for us in connection with this agreement belong to us.

8 Liability

- 8.1 **Limitation of Liability** – Our aggregate liability for all claims, losses, liabilities or damages in connection with this agreement or the services or deliverables, whether as a result of breach of contract, tort (including negligence) or otherwise, regardless of the theory of liability asserted, is limited to two (2x) times the total fees paid to us under this agreement. Our liability to you shall be several and not joint and several, and we shall only be liable for our proportionate share of any loss or damage, based on our contribution relative to the others’ contributions. In addition, we will not be liable in any event for consequential, incidental, indirect, punitive, exemplary or special damages, including any amount for loss of profit, data or goodwill, whether or not the likelihood of such loss or damage was contemplated.
- 8.2 **No claims against individuals** – You agree claims or actions relating to the services shall be brought against us alone and not against any members, partners, principals, employees or subcontractors, including PwC Firms (“Personnel”).
- 8.3 [Intentionally blank]
- 8.4 **Misrepresentation by you** - You agree to release and indemnify us and our Personnel from and against all claims, losses, costs, liabilities and damages arising in circumstances where there has been a misrepresentation by a member of your management or board of directors, regardless of whether such person was acting in your interest.

9 Termination

- 9.1 **By Either Party** – Either party may terminate this agreement, for any reason, upon written notice to the other party. We will not be liable for any loss, cost or expense arising from such termination.
- 9.2 **Fees payable on termination** – You agree to pay us for all services we perform and deliverables we provide up to the date of termination, including services performed, work-in-progress and expenses incurred.

10 Governing law

- 10.1 **Law and jurisdiction** – The agreement and any dispute arising from it, whether contractual or noncontractual, will be governed by the laws of the Province of British Columbia and the federal laws of Canada applicable therein and are subject to the exclusive jurisdiction of the courts of the Province of British Columbia.

11 General

- 11.1 **Matters beyond reasonable control** – No

party will be liable (other than payment obligations) to the other if it fails to meet its obligations due to matters beyond its reasonable control.

- 11.2 **Entire agreement** – The agreement, once executed by both parties, forms the entire agreement between the parties in relation to the services and deliverables. It replaces any earlier agreements, representations or discussions.
- 11.3 **Your actions** – Where you consist of more than one party, an act or omission of one party will be regarded as an act or omission of all.
- 11.4 **Assignment** – Without written consent, neither of us may assign any of our rights, obligations or claims under this agreement.
- 11.5 **Survival** – Any clause that is meant to continue to apply after termination of this agreement will do so.
- 11.6 **Severability** – If a court or regulator with proper jurisdiction determines that a provision of this agreement is invalid, then that provision will be interpreted in a way that is valid under applicable law or regulation. If any provision is invalid, the rest of this agreement will remain effective.