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## INDEPENDENCE LETTER

City of Richmond  
6911 No. 3 Road  
Richmond BC V6Y 2C1

The Finance Committee of the City of Richmond

March 26, 2008

We have been engaged to audit the financial statements of the City of Richmond ("the City") as at December 31, 2007 and for the year then ended.

Professional standards require that we communicate at least annually with you regarding all relationships between the City and us that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the Institute of Chartered Accountants of British Columbia ("ICABC") and applicable legislation, covering such matters as:

- a) provision of services in addition to the audit engagement
- b) other relationships such as:
  - holding a financial interest, either directly or indirectly, in a client
  - holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
  - personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
  - economic dependence on a client.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since March 30, 2007, the date of our last letter.



**PROVISION OF SERVICES**

The following summarizes the professional services rendered by KPMG to the City for the year ended December 31, 2007:

<u>Audit</u>	<ul style="list-style-type: none"> <li>• Audit of the consolidated financial statements of City of Richmond for the year ended December 31, 2007</li> </ul>	\$57,500
<u>Other</u>	<ul style="list-style-type: none"> <li>• Review of accounting treatment on lease agreements</li> <li>• Sales tax study and tax advice on Richmond Oval</li> <li>• Strategic business plan on Richmond Oval and Capital projects</li> </ul>	<p>1,400</p> <p>12,250</p> <p>54,712</p>

**OTHER RELATIONSHIPS**

We are not aware of any relationships between the City (and its related entities) and us that, in our professional judgment, may reasonably be thought to bear on our independence that has occurred from March 30, 2007 to March 26, 2008. A retired partner of KPMG is currently providing services to the City related to the Richmond Oval on a contract basis.

**CONFIRMATION OF INDEPENDENCE**

Professional standards require that we confirm our independence to you in the context of the Rules of Professional Conduct/Code of Ethics of the ICABC.

Accordingly, we hereby confirm that we are independent with respect to the City (and its related entities) within the meaning of the Rules of Professional Conduct/Code of Ethics of the ICABC as of March 26, 2008.

**OTHER MATTERS**

This letter is confidential and intended solely for use by you, the Finance Committee, Management, and others within the City with respect to carrying out and discharging responsibilities to review and recommend to the Council whether the consolidated financial statements of the City for the year ended December 31, 2007 be approved. It should not be used for any other purposes. No responsibility for loss or damages (if any) to any third party is accepted as this letter has not been prepared for, and is not intended for, any other purpose.



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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.

Yours very truly,

Archie G. Johnston, MBA, FCA, CA-CIA  
*Partner, Assurance Services*  
(604) 527-3757

AGJ/tn



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## OVERSIGHT LETTER

March 26, 2008

The Finance Committee of the City of Richmond

Dear Finance Committee members:

We are pleased to provide the following information for your review and consideration in order to assist you (the Finance Committee) in carrying out your responsibilities with respect to the review and approval of the audited consolidated financial statements of the City of Richmond (the "City") for the year ended December 31, 2007. A summary of the information provided is as follows:

### Description

- Responsibility of management, auditors and the Finance Committee
- Independence
- Significant audit findings
- Audit differences
- Other matters arising from the audit

This report is intended to communicate to you the results of our examination. We would be pleased to receive any comments or suggestions for improvements, which you may have. We have also attached a copy of our letter discussing our independence for your review and discussion.

We would like to thank the staff of the City for their full cooperation and assistance during the course of our audit fieldwork. We appreciate the opportunity to serve you and look forward to a continuing relationship.

Yours very truly

Archie G. Johnston, MBA, FCA, CA-CIA  
*Assurance Partner*  
(604) 527-3757

cc: Jerry Chong, Director of Finance  
Andrew Nazareth, General Manager



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## RESPONSIBILITY OF EXTERNAL AUDITORS, MANAGEMENT AND FINANCE COMMITTEE

We were engaged to give an audit opinion on the consolidated financial statements of the City. Management is responsible for preparing the financial statements and related notes in accordance with Canadian generally accepted accounting principles ("GAAP") and to design, implement and maintain an effective internal control over the financial reporting process. We are responsible for being independent and for expressing an opinion on the financial statements. The City's oversight personnel are responsible for overseeing the control environment and reporting process.

## INDEPENDENCE

We confirm that we are independent of the City within the meaning of the applicable Rules of Professional Conduct/Code of Ethics of the Institute of Chartered Accountants of British Columbia for the year ended December 31, 2007. There are no relationships that, in our professional judgment, may reasonably be thought to bear on our independence as your auditors. Our independence letter attached addresses all of these factors.

## SIGNIFICANT AUDIT FINDINGS

There were no significant matters were noted during our audit that warrant drawing to the attention of the City's Finance Committee.

## AUDIT DIFFERENCES

There were no unadjusted audit differences. All audit differences identified were adjusted for by management in the consolidated financial statements. A copy of the adjusted audit differences has been attached to the management representation letter.

## OTHER MATTERS ARISING FROM THE AUDIT

### Accounting policies, judgments and estimates

During the course of our financial statement audit, we identified no new or changed accounting policies other than those previously noted. Management describes their critical accounting policies and key estimates that are subject to uncertainty in note 1 to the financial statements.

### Weakness in internal controls over financial reporting

Our audit has not been designed to determine the adequacy of internal control over financial reporting for management purposes. During our audit, we did not become aware of any significant weaknesses in internal controls.



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#### Illegal and fraudulent activities

Our inquiries of management and our testing of financial records did not reveal any fraud or illegal acts. You should realize however, that improper conduct is usually carefully, if not elaborately, concealed and consequently, the probability is not high that our regular audit work, however diligently performed, will bring it to light. Management has also provided us with a written representation that they are not aware of any fraudulent acts or suspected fraudulent acts or illegal acts or possible illegal acts.

#### Dealings with management

We received the full cooperation of management and employees of the City and, to our knowledge, had complete access to the accounting records and other documents that we needed in order to carry out our audit. We had no disagreements with management, and we have resolved all auditing, accounting and presentation issues to our satisfaction.

#### Consultation with other accountants

We are not aware of any consultations by management with other accountants regarding accounting or auditing matters.

#### Major issues discussed with management that influence our audit appointment

We did not engage in discussion with management about any major issues in connection with our appointment as auditors.

### FINANCIAL REPORTING DEVELOPMENTS

#### Tangible Capital Assets (Local Government)

Section PS3150 *Tangible Capital Assets* will be applicable to local governments for fiscal years beginning on or after January 1, 2009. The City is currently in the process of gathering the information required to be able to comply with this standard. We encourage the continued diligence of the City in this respect.

#### Segment Disclosures

In January 2006, PSAB approved final Section PS2700, Segment Disclosures, which is applicable to all government. The Section is based on the premise that the activities of a government are so broad and encompass so wide a range of different activities that it is valuable to disclose selected disaggregated financial information about particular segments of a government. Applicable to fiscal years beginning on or after April 1, 2007 (early adoption is encouraged), the Section establishes standards on how to define and disclose those segments in the government's consolidated financial statements.