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INDEPENDENCE LETTER

PRIVATE & CONFIDENTIAL

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

March 27, 2009

Dear Chair and Members of the Finance Committee:

We have been engaged to audit the consolidated financial statements of the City of Richmond ("the City") as at December 31, 2008 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 26, 2008, 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, 2008:

<u>Audit</u>	<ul style="list-style-type: none"> • Audit of the consolidated financial statements of City of Richmond for the year ended December 31, 2008 • Specified procedures report regarding 2010 Games Operating Trust funding for the year ended December 31, 2007 	<p>\$59,500</p> <p>1,575</p>
<u>Other</u>	<ul style="list-style-type: none"> • Review of draft tangible capital assets policy • Tax advice • Overhead Cost Allocation Study and review of records management 	<p>1,467</p> <p>8,735</p> <p>57,906</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 26, 2008 to March 27, 2009. A retired partner of KPMG is currently providing services to the City related to the Richmond Oval.

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 27, 2009.

OTHER MATTERS

This letter is confidential and intended solely for use by those with oversight responsibility for the financial reporting process in carrying out and discharging their responsibilities and 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. This letter should not be distributed to others outside the City without our prior written consent.

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,

KPMG LLP



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OVERSIGHT LETTER

PRIVATE & CONFIDENTIAL

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

March 27, 2009

Dear Chair and Members of the Finance Committee:

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, 2008. 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
- Financial reporting developments

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



Chartered Accountants

AJJ/II
Encl.

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



RESPONSIBILITY OF MANAGEMENT, AUDITORS AND THE FINANCE COMMITTEE

Management is responsible for:

- Preparing the financial statements, including the accompanying notes, in accordance with Canadian generally accepted accounting principles for government entities (“GAAP”).
- Designing, implementing and maintaining an effective internal control system over the City’s financial reporting processes.
- Selecting the significant accounting policies used in the preparation of the financial statements and for applying judgment in preparing the accounting estimates contained in the financial statements.
- Disclosing to the external auditors any fraud or suspected fraud and any illegal acts or possibly illegal acts.
- Assessing the impact of differences discovered during the audit on fair presentation of the financial statements and recording all material adjustments

The auditor is responsible for:

- Conducting the audit examination in accordance with Canadian generally accepted auditing standards for government entities. An audit is performed to obtain reasonable but not absolute assurance as to whether the financial statements are free of material misstatement.
- Expressing an objective opinion on the financial statements based on the audit, whether the financial statements present fairly in accordance with GAAP the financial position, financial activities and changes of financial position of the City.

The Finance Committee is responsible for:

- Providing oversight; challenge and influence – “Tone at the Top”.
- Overseeing the control environment and reporting process and encouraging continual improvement.
- Reviewing and approving the annual financial statements.

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, 2008. 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.



AUDIT SCOPE AND OPINION

We have completed our audit of the City's December 31, 2008 financial statements. The following sets out our significant findings and other matters which we believe should be brought to your attention:

- Our audit report dated March 27, 2009 indicates that the financial statements present fairly, in all material respects, the financial position, results of financial activities and changes in financial position of the City in accordance with GAAP.
- Our audit of the financial statements was performed, in accordance with Canadian generally accepted auditing standards to obtain reasonable, rather than absolute, assurance whether the financial statements are free of material misstatements whether caused by fraud or error.
- Our audit included examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and their application and significant estimates made by management, evaluating the overall financial statement presentation, making specific enquiries of management, and obtaining a supporting representation letter from management concerning the effectiveness of internal control and the representations embodied in the financial statements, including the notes thereto.
- In planning the audit, we considered the City's internal controls to determine the nature, extent and timing of our audit procedures.

SIGNIFICANT AUDIT FINDINGS

Segmented information

A new requirement for Municipal Governments, PS2700 of the Public Sector Accounting Board (PSAB) on segment disclosures was effective for fiscal years beginning on or after April 1, 2007. The City adopted this PSAB section in the current fiscal year and has provided definition of segments used by the City as well as presented financial information in segmented format in the 2008 financial statement notes.

Greenhouse Gas Reduction Targets

The City has signed the provincial Climate Charter which commits it to be carbon neutral by 2012. To develop a carbon action plan and achieve carbon neutrality the City needs to develop a Greenhouse Gas Inventory detailing all of the different types of greenhouse gases emitted by various sources. We note that the City is in the process of developing the inventory and moving forward to achieve carbon neutrality by 2012.

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 2 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.

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 the City 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 and the City's progress is set out in note 2. We encourage the continued diligence of the City in this respect.

Financial Statement Presentation

Section PS1200 *Financial Statement Presentation* 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.

Accounting framework for government organizations

The Public Sector Accounting Standards Board ("PSAB") has recently issued an "Invitation to Comment" ("ITC") document addressing the accounting framework to be used for various types of government organizations. The conclusion on this from PSAB is expected in the fall of 2009 and may change the way that the City accounts for its subsidiary the Richmond Olympic Oval.