

CHARTERED ACCOUNTANTS

Partners

- \* Ben Sander, B. Comm., C.A.
- \* Dale J. Rose, C.A.
- \* Alan Bone, B. Comm., C.A.
- \* R.S. (Bob) Trobak, C.A. (retired)

November 20, 2009

Peace River Regional District  
Box 810  
DAWSON CREEK BC V1G 4H8

Dear Board of Directors

We have been engaged to audit the consolidated financial statements of Peace River Regional District for the year ending December 31, 2009. Canadian generally accepted auditing standards require that we communicate the following information with you in relation to your audit.

Management is responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting. This includes the design and maintenance of accounting records, recording transactions, selecting and applying accounting policies, safeguarding of assets and preventing and detecting fraud and error.

### Our Responsibility as Auditors

As stated in the engagement letter dated November 13, 2009, our responsibility as auditors of your District is to express an opinion on whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the District in accordance with Canadian generally accepted accounting principles.

An audit is performed to obtain reasonable but not absolute assurance as to whether the consolidated financial statements are free of material misstatement. Due to the inherent limitations of an audit, there is an unavoidable risk that some misstatements of the consolidated financial statements will not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed.

Our audit includes:

- Assessing the risk that the consolidated financial statements may contain misstatements that, individually or in the aggregate, are material to the consolidated financial statements taken as a whole; and
- Examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements.

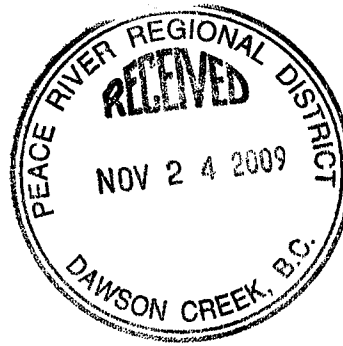
**Dec 11 2009**



Member, Chartered Accountants of British Columbia

\* Denotes Professional Corporations

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As part of our audit, we will obtain a sufficient understanding of the business and the internal control structure of Peace River Regional District to plan the audit. This will include management's assessment of:

- The risk that the consolidated financial statements may be materially misstated as a result of fraud and error; and
- The internal controls put in place by management to address such risks.

### **Board of Directors' Responsibilities**

The Board's role is to act in an objective, independent capacity as a liaison between the auditors, and management, to ensure the auditors have a facility to consider and discuss governance and audit issues with parties not directly responsible for operations.

The Board's responsibilities include:

- Being available to assist and provide direction in the audit planning process when and where appropriate;
- Meeting with the auditors as necessary and prior to release and approval of consolidated financial statements to review audit, disclosure and compliance issues;
- Where necessary, reviewing matters raised by the auditors with appropriate levels of management, and reporting back to the auditors their findings;
- Making known to the auditors any issues of disclosure, corporate governance, fraud or illegal acts, non-compliance with laws or regulatory requirements that are known to them, where such matters may impact the consolidated financial statements or auditor's report;
- Providing guidance and direction to the auditors on any additional work they feel should be undertaken in response to issues raised or concerns expressed;
- Making such enquiries as appropriate into the findings of the auditors with respect to corporate governance, management conduct, cooperation, information flow and systems of internal controls; and
- Reviewing the draft consolidated financial statements prepared by management, including the presentation, disclosures and supporting notes and schedules, for accuracy, completeness and appropriateness, and approve same.

## **Audit Approach**

Outlined below are certain aspects of our audit approach, which are intended to help you in discharging your oversight responsibilities. Our general approach to the audit of Peace River Regional District is to assess the risks of material misstatement in the consolidated financial statements and then respond by designing audit procedures.

## **Illegal Acts, Fraud, Intentional Misstatements and Errors**

Our auditing procedures, including tests of your accounting records, are limited to those considered necessary in the circumstances and would not necessarily disclose all illegal acts, fraud, intentional misstatements or errors should any exist. We will conduct the audit under Canadian generally accepted auditing standards (GAAS), which include procedures to consider (based on the control environment, governance structure and circumstances encountered during the audit), the potential likelihood of fraud and illegal acts occurring.

These procedures are not designed to test for fraudulent or illegal acts, nor would they necessarily detect such acts or recognize them as such, even if the effect of their consequences on the financial statements is material. However, should we become aware that an illegal or possible illegal act or an act of fraud may have occurred, other than one considered clearly inconsequential, we will communicate this information directly to the Board of Directors.

It is management's responsibility to detect and prevent illegal actions. If such acts are discovered or the Board of Directors become aware of circumstances under which the District may have been involved in fraudulent, illegal or regulatory non-compliance situations, such circumstances must be disclosed to us.

## **Risk-based**

Our risk-based approach focuses on obtaining sufficient appropriate audit evidence to reduce the risk of material misstatement in the consolidated financial statements to an appropriately low level. This means that we focus our audit work on higher risk areas that have a higher risk of being materially misstated.

Based on our knowledge of the organization's business and our past experience, we have identified no areas that have a potentially higher risk of a material misstatement.

## **Materiality**

Materiality in an audit is used to:

- Guide planning decisions on the nature and extent of our audit procedures;
- Assess the sufficiency of the audit evidence gathered; and
- Evaluate any misstatements found during our audit.

Materiality is defined as:

Materiality is the term used to describe the significance of financial statement information to decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision. Materiality is a matter of professional judgment in the particular circumstances.

We plan to use a materiality of \$275,000. The materiality for last year's audit was \$275,000.

### **Audit Procedures**

In responding to our risk assessment, we will use a combination of tests of controls, tests of details and substantive analytical procedures. The objective of the tests of controls is to evaluate whether certain controls operated effectively. The objective of the tests of details is to detect material misstatements in the account balances and transaction streams. Substantive analytical procedures are used to identify differences between recorded amounts and predictable expectations in larger volumes of transactions over time.

This communication is prepared solely for the information of the Board of Directors and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

Yours very truly  
SANDER ROSE TROBAK LLP  
CHARTERED ACCOUNTANTS



Dale J. Rose, C.A.

DJR:imp

cc: Kim Frech, Chief Financial Officer

Dec 11 2009