



**Laguna Woods Village®**

**SPECIAL MEETING OF THE SELECT AUDIT TASK FORCE  
WITH INVITATION TO ALL BOARDS ALL DIRECTORS**

**Wednesday, February 17, 2021 – 1:00 p.m.  
Virtual Meeting  
24351 El Toro Road**

**NOTICE AND AGENDA**

1. Call to Order
2. Acknowledgment of Media
3. Approval of Agenda
4. Chair Remarks
5. Member Comments (Items Not on the Agenda)  
Laguna Woods Village owners/residents are welcome to participate in all open committee meetings and submit comments or questions regarding virtual meetings using one of two options:
  - a. Via email to [meeting@vmsinc.org](mailto:meeting@vmsinc.org) any time before the meeting is scheduled to begin or during the meeting. Please use the name Audit Task Force in the subject line of the email. Name and unit number must be included.
  - b. By calling (949) 268-2020 beginning one half hour before the meeting begins and throughout the remainder of the meeting. You must provide your name and unit number.

**Items for Discussion and Consideration:**

6. Introduce Representatives from KPMG
7. Presentation of 2020 Annual Audit Plan by KPMG

**Concluding Business:**

8. Task Force Member Comments
9. Board Member Comments
10. Adjournment

Jim Hopkins, Chair  
Betty Parker, Staff Officer  
Telephone: 949-597-4201



# Audit Plan – Laguna Woods Village

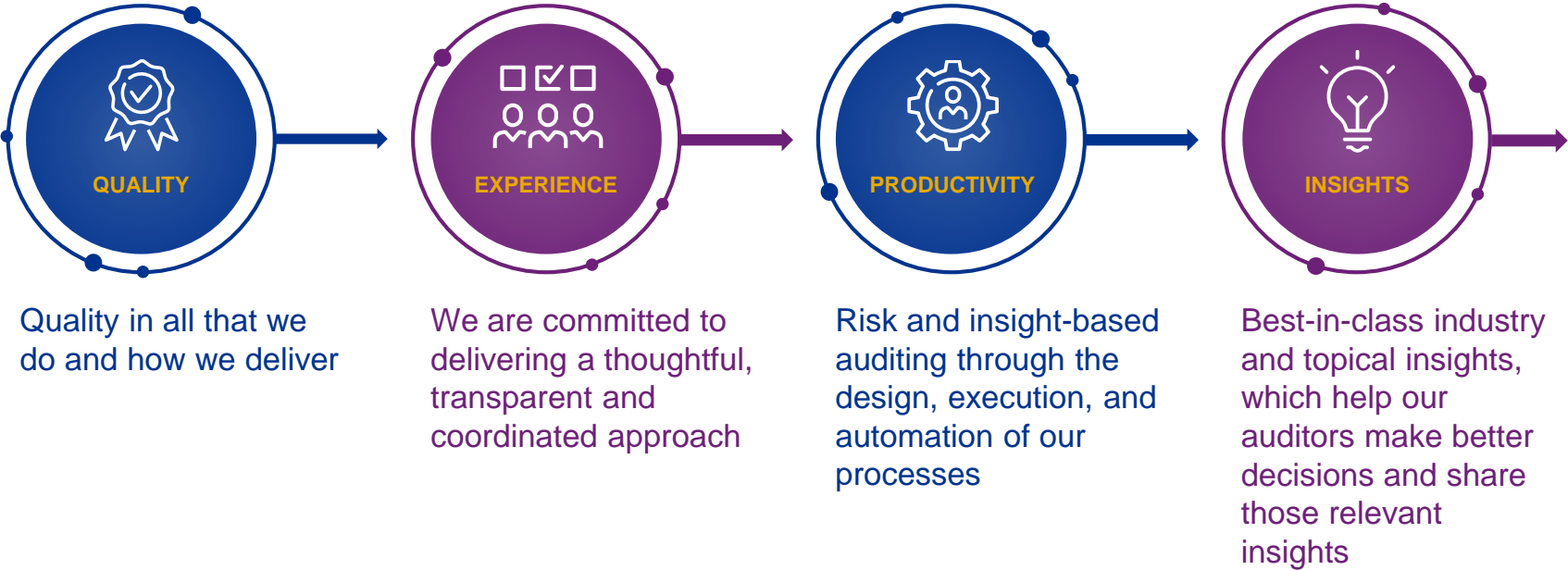
Audit plan and strategy for the year ending December 31, 2020

February 17, 2021



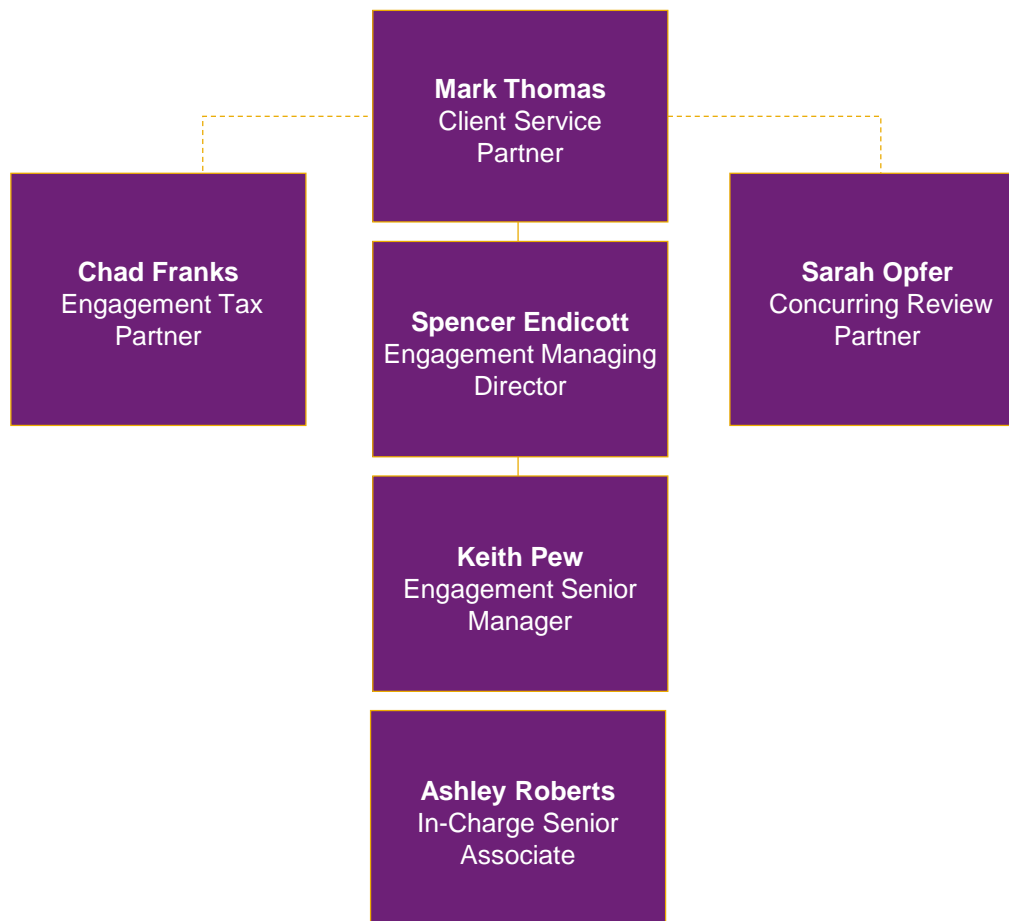
# Our commitment to you

We aim to deliver an exceptional client experience by focusing on





# Client service team



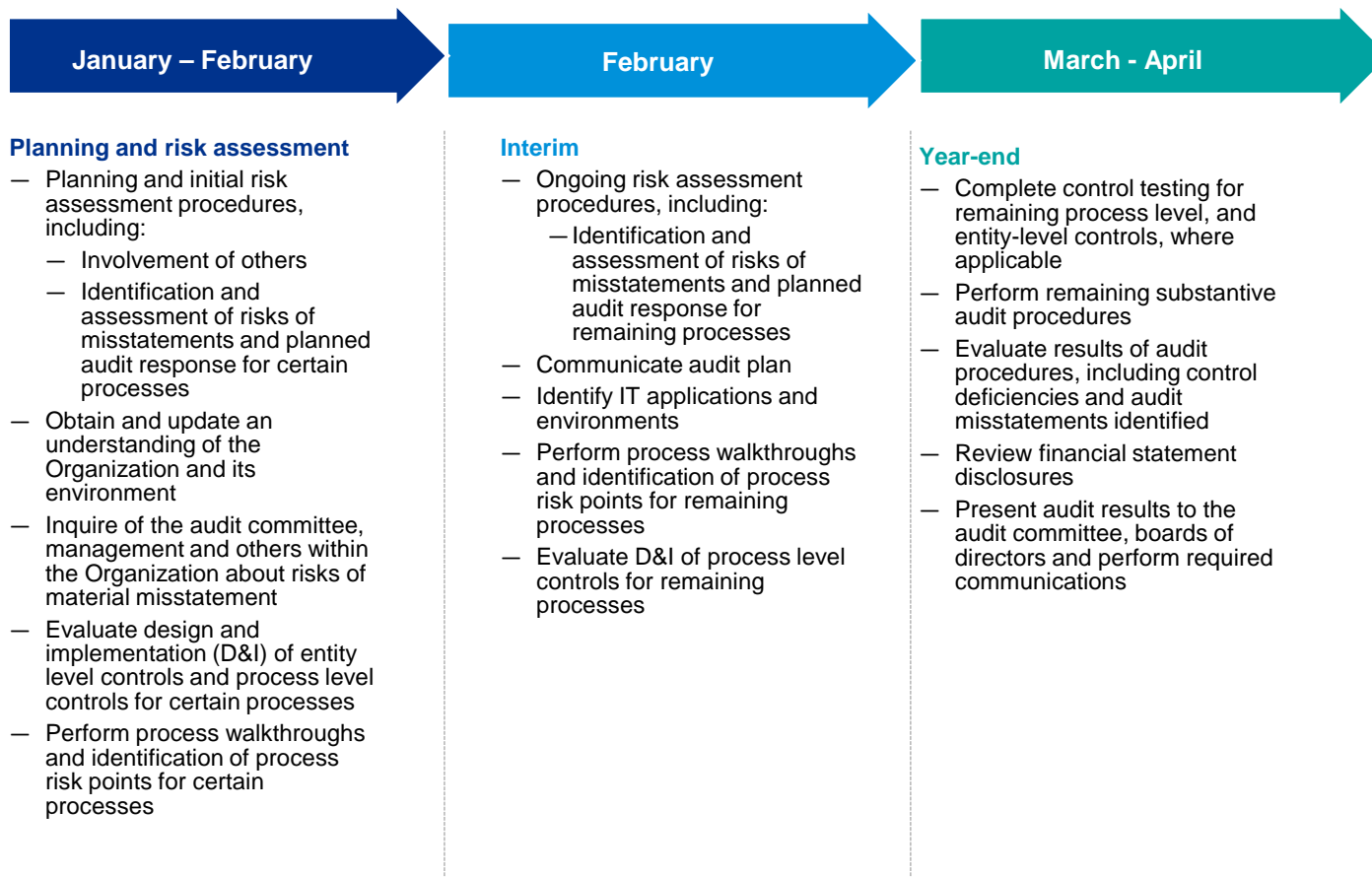


# Summary: Audit approach required communications and other matters

Planning & risk assessment		Response
Planning & risk assessment	Scope of audit	<p>Our audit of the financial statements of the Golden Rain Foundation of Laguna Woods and Affiliate, United Laguna Woods Mutual, and Third Laguna Hills Mutual as of and for the year ended 12/31/2020, will be performed in accordance with auditing standards generally accepted in the United States of America.</p> <p>Performing an audit of financial statements includes consideration of internal control over financial reporting (ICFR) as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's ICFR.</p>
	Areas of emphasis	<p>Cash, cash equivalents and investments</p> <p>Property and equipment</p> <p><b>Revenues</b> – 1) Operating assessments 2) Additions to restricted funds and 3) Other revenue</p> <p><b>Expenses</b> – 1) Expenses paid from restricted funds 2) Compensation and 3) Direct/shared operating expenses</p> <p>Members' equity</p> <p>Financial Statements and related footnote disclosures</p>
	Risk assessment: Significant risks	<p><b>Management override of controls</b> - Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.</p>
	Independence	See slide 5
	Responsibilities	See slide 6
	Inquiries	See slide 7



# Our timeline





# Shared responsibilities: Independence

Auditor independence is a shared responsibility and most effective when management, the audit committee and audit firms work together in considering compliance with the independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and KPMG each play an important role.

## System of independence quality control

The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information regarding upcoming transactions or other business changes is necessary to effectively maintain the firm's independence in relation to:

- New affiliates (which may include subsidiaries, equity method investees/investments, sister companies, and other entities that meet the definition of an affiliate under AICPA independence rules)
- New directors, officers, owners of 10% or more of the Company's equity securities or ownership interests, and persons in key positions with respect to the preparation or oversight of the financial statements

## Certain relationships with KPMG

Independence rules prohibit:

- Certain employment relationships involving directors, officers, or others in an accounting or financial reporting oversight role and KPMG and KPMG covered persons.
- The Company or its directors, officers, from having certain types of business relationships with KPMG or KPMG professionals.



# Responsibilities

## Management responsibilities



- Communicating matters of governance interest to those charged with governance.
- The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## KPMG responsibilities – Objectives



- Communicating clearly with those charged with governance the responsibilities of the auditor regarding the financial statement audit and an overview of the planned scope and timing of the audit.
- Obtaining from those charged with governance information relevant to the audit.
- Providing those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process.
- Promoting effective two-way communication between the auditor and those charged with governance.
- Communicating effectively with management and third parties.

## KPMG responsibilities – Other



- If we conclude that no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement, we should:
  - Withdraw from the audit engagement when possible under applicable law or regulation,
  - Communicate the circumstances to those charged with governance, and
  - Determine whether any obligation, either legal contractual, or otherwise, exists to report the circumstances to other parties, such as owners, or regulators.
- Forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- Establishing the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.
- Communicating any procedures performed relating to other information, and the results of those procedures.





# Inquiries

## The following inquiries are in accordance with AU-C 260

### Is the audit committee aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
  - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
  - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

### Does the audit committee have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting the Company, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
  - If so, have the instances been appropriately addressed and how have they been addressed?

### Additional inquiries:

- What are the audit committee's views about fraud risks in the Organization?
- Who is the appropriate person (audit committee chair or full committee) for communication of audit matters during the audit?
- How are responsibilities allocated between management and the audit committee?
- What are the Organization's objectives and strategies and related business risks that may result in material misstatements?
- Are there any areas that warrant particular attention during the audit and additional procedures to be undertaken?
- What are the audit committee's attitudes, awareness, and actions concerning (a.) the Organization's internal controls and their importance in the entity, including oversight of effectiveness of internal controls, and (b.) detection of or possibility of fraud?
- Have there been any actions taken based on previous communications with the auditor?
- Has the Organization entered into any significant unusual transactions?
- Whether the entity is in compliance with other laws and regulations that have a material effect on the financial statements?
- What are the other document(s) that comprise the annual report, and what is the planned manner and timing of issuance of such documents?

# Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at [www.kpmg.com/ACI](http://www.kpmg.com/ACI)

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