



**Laguna Woods Village®**

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

**Wednesday, February 14, 2024 – 1:00 p.m.  
Laguna Woods Village Board Room/Virtual Meeting  
24351 El Toro Road  
Laguna Woods, CA 92637**

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:

1. Join the Committee meeting via a Zoom link at:  
<https://us06web.zoom.us/j/94506234414> or by calling **669-900-6833** Access Code: **94506234414**
2. Via email to [meeting@vmsinc.org](mailto:meeting@vmsinc.org) any time before the meeting is scheduled to begin. Please use the name of the committee in the subject line of the email. Name and unit number must be included.

**NOTICE AND AGENDA**

*This Meeting May Be Recorded*

1. Call to Order
2. Acknowledgement of Media
3. Approval of Agenda
4. Chair Remarks
5. Member Comments (items Not on the Agenda)

**Items for Discussion and Consideration:**

6. Introduce Representatives from KPMG
7. Presentation of the 2023 Annual Audit Plan by KPMG

**Concluding Business:**

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

William Cowen, Chair  
Steve Hormuth, Staff Officer  
Telephone: 949-597-4201





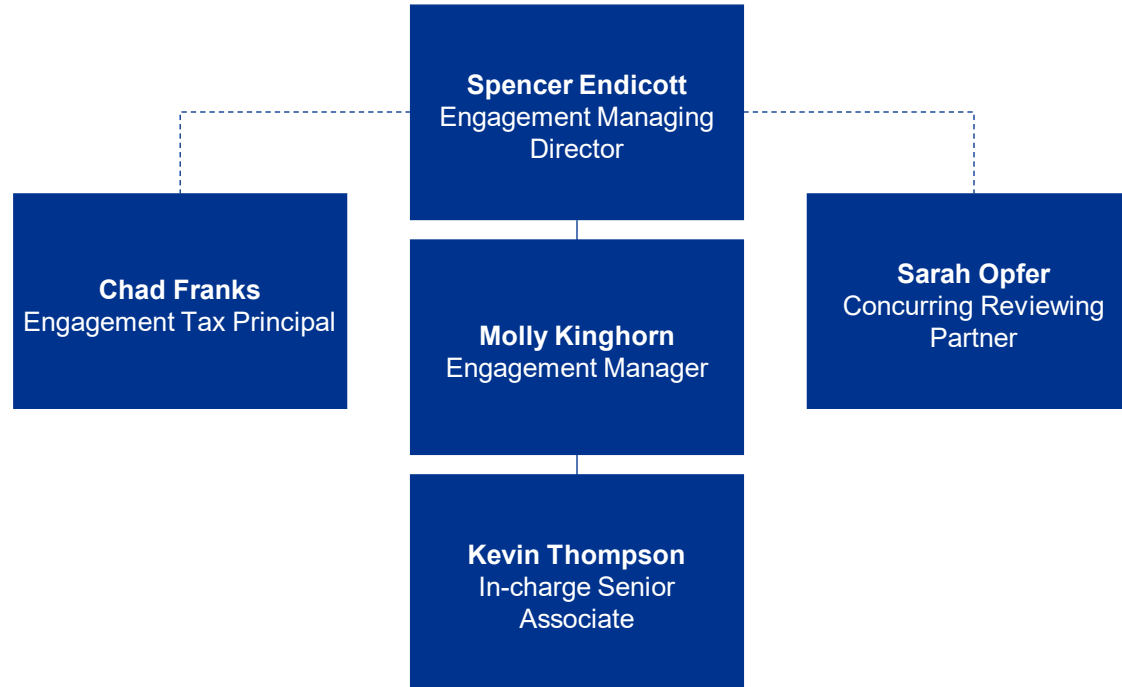
# Laguna Woods Village Discussion with those charged with governance

Audit plan and strategy for the year ending December 31, 2023

February 14, 2024



# Client service team



# Audit strategy

## Audit Scope:

- 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 December 31, 2023, will be performed in accordance with auditing standards generally accepted in the United States of America.

## Audit Objectives:

- To provide reasonable assurance that the financial statements are fairly stated in all material respects, in accordance with U.S. Generally Accepted Accounting Principles as prescribed by the Financial Accounting Standards Board
- To gain an understanding of internal control sufficient to design our audit procedures but not for the purpose of providing an opinion on internal control

## Areas of Audit Emphasis:

- Cash, cash equivalents and investments
- Property and equipment
- Revenues—1) Operating assessments 2) Additions to restricted funds and 3) Other revenue
- Expenses—1) Expenses paid from restricted funds 2) Compensation and 3) Direct/shared operating expenses
- Members' equity
- Financial Statements and related footnote disclosures

# Our timeline

## January-February

### Planning and Risk Assessment

- Planning and initial risk assessment procedures, including:
- Involvement of others
- Identification and assessment of risks of misstatements and planned audit response for certain processes
- Obtain and update an understanding of the Organization and its environment
- Inquire of the audit committee, management and others within the Organization about risks of material misstatement
- Evaluate design and implementation (D&I) of entity level controls and process level controls for certain processes
- Perform process walkthroughs and identification of process risk points for certain processes

## February-March

### Year-End Fieldwork

- Ongoing risk assessment procedures, including:
- Identification and assessment of risks of misstatements and planned audit response for remaining processes
- Communicate audit plan
- Identify IT applications and environments
- Perform process walkthroughs and identification of process risk points for remaining processes
- Evaluate D&I of process level controls for remaining processes

## March-April

### Wrap Up

- Complete control testing for remaining process level, and entity-level controls, where applicable
- Perform remaining substantive audit procedures
- Evaluate results of audit procedures, including control deficiencies and audit misstatements identified
- Review financial statement disclosures
- Present audit results to the audit committee, boards of directors and perform required communications

**Issue audit reports and present audit results to those charged with governance (TBD)**

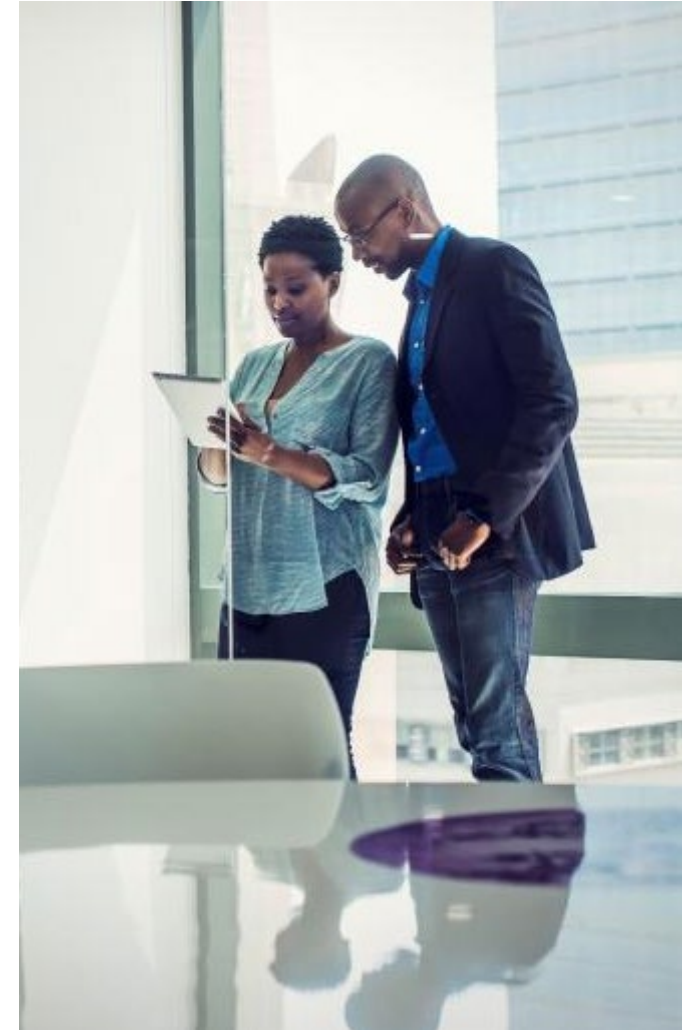
# Materiality in the context of an audit

We will apply materiality in the context of the preparation and fair presentation of the consolidated financial statements, considering the following factors:

<p>Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.</p>	<p>Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.</p>	<p>Judgments about materiality involve both qualitative and quantitative considerations.</p>
<p>Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.</p>	<p>Determining materiality is a matter of professional judgment and is affected by the auditor's perception of the financial information needs of users of the financial statements.</p>	<p>Judgments about the size of misstatements that will be considered material provide a basis for</p> <ol style="list-style-type: none"><li>Determining the nature and extent of risk assessment procedures;</li><li>Identifying and assessing the risks of material misstatement; and</li><li>Determining the nature, timing, and extent of further audit procedures.</li></ol>

# Risk assessment: Significant risks

Significant risk	Susceptibility to:	
	Error	Fraud
<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.		<b>Yes</b>





# 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.

# Inquiries

## Are those charged with governance 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?

## Do those charged with governance have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting the company?
  - If so, have the instances been appropriately addressed and how have they been addressed

## Additional inquiries:

- What are those charged with governance's views about fraud risks in the company?
- Who is the appropriate person in the governance structure for communication of audit matters during the audit?
- How are responsibilities allocated between management and those charged with governance?
- What are the company'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 those charged with governance's attitudes, awareness, and actions concerning (a.) the company'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 company 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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