

**REPORT TO CAPITAL REGIONAL HOSPITAL DISTRICT BOARD
MEETING OF WEDNESDAY, JANUARY 08, 2025**

SUBJECT **Capital Regional Hospital District 2024 Audit Planning Discussion**

ISSUE SUMMARY

This report provides information to the Capital Regional Hospital District (CRHD) Board on the 2024 Audit Plan and related work to be completed by KPMG for the 2024 year-end audit of the CRHD's financial statements.

BACKGROUND

Under Section 17 of the *Hospital District Act* the auditors of the Capital Regional District are also considered the auditors of the CRHD, as such KPMG will perform the upcoming financial audit.

Consistent with the approach from previous years, the auditors circulate the audit plan to the CRHD Board for information prior to the start of the audit. KPMG will present to the CRHD Board the 2024 annual Audit Planning Report (Appendix A), as a fundamental component of the CRHD's annual financial statement audit. This standard audit procedure is similarly undertaken by other local governments in the region.

The presentation will provide the CRHD Board with an overview of the audit strategy and approach that KPMG will use in addressing any significant risks. The audit plan is designed to identify and address key financial reporting risks, including fraud, by evaluating the existence, quality and effectiveness of management's internal controls over financial reporting.

KPMG notes in Appendix A that they have not identified any areas of significant financial reporting risks. However, there is a presumed fraud risk around management override of controls. KPMG addresses this risk by performing testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions. KPMG will also obtain the CRHD Board's views on the risk of fraud for the CRHD.

KPMG will present to the CRHD Board an overview of the audit cycle, timetable and specific areas that the audit will focus on, providing the basis of audit materiality they deem necessary to evaluate any misstatements they identify during the audit.

CRHD adopted a new accounting standard, PS 3400 – *Revenue* effective January 1, 2024. This standard enhances existing accounting standards to provide additional guidance and clarity on accounting for revenue streams within its scope. There were no adjustments or changes to opening balances on adoption of the new standard.

ALTERNATIVES

Alternative 1

That the Capital Regional Hospital District 2024 Audit Plan developed by KPMG be approved.

Alternative 2

That this report be referred back to staff for additional information.

IMPLICATIONS

Financial Implications

KPMG will continue year-end audit field work on March 3, 2025, which will take approximately one week (interim audits are conducted in late fall annually). The auditors will perform sample testing on many areas including invoices, journal entries, accounts receivables and accounts payables. In compliance with Canadian Public Sector Accounting Standards (PSAS), this testing will ensure that all aspects of financial transactions are being recorded and reported in the financial statements. Additionally, as part of the audit process, the auditors will provide a detailed Audit Findings Report. The finalized financial statements will be presented to the Hospitals and Housing Committee along with the Audit Findings Report.

CONCLUSION

KPMG’s primary objective of the Financial Statement audit is to present an opinion on the extent to which the CRHD’s financial statements are fairly presented, in accordance with the PSAS. As part of the annual audit, KPMG provides an audit plan to the CRHD Board. The auditors will conduct their audit of the 2024 financial statements pursuant to this plan.

RECOMMENDATION

That the Capital Regional Hospital District 2024 Audit Plan developed by KPMG be approved.

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ATTACHMENT

Appendix A: KPMG Capital Regional Hospital District 2024 Audit Planning Report