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**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, FEBRUARY 28, 2018**

SUBJECT **Audit Planning Discussion**

ISSUE

This report provides information to the Hospitals and Housing Committee on the 2017 Audit Plan and related work to be completed by KPMG for the 2017 year-end audit of the Capital Regional Hospital District (CRHD).

BACKGROUND

Under *Section 377 of the Local Government Act*, the CRHD is required to appoint an auditor licensed under the *Business Corporations Act*. The CRHD currently uses KPMG for its annual audit process.

The auditors prepared and Audit Planning Report and present it to the Hospitals and Housing Committee (Attachment 1), as a fundamental component of the CRHD's annual financial statement audit. This is a standard audit procedure and 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 internal controls over financial reporting. KPMG notes, in Attachment 1, that they have not identified any areas of significant financial reporting risks or fraud risk from management override of controls based upon their prior year assessment of risks.

The presentation will also include an overview of the audit cycle, timetable and specific areas that the audit will focus on: cash and investments, tangible capital assets especially those for Summit at Quadra Village Project, accounts payable, debt, revenue and expenses. KPMG will provide the basis of audit materiality deemed necessary to evaluate any misstatements they identify during the audit.

ALTERNATIVES

Alternative 1

That the Hospitals and Housing Committee recommend to the Capital Regional Hospital District Board:

That the 2017 Capital Regional Hospital District Audit Plan developed by KPMG be approved.

Alternative 2

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

IMPLICATIONS

KPMG is onsite commencing April 3, 2018, for approximately two weeks to conduct audit field work. While onsite the auditors perform sample testing on many areas including invoices, journal

entries, accounts receivables, and accounts payable in order to gain reasonable assurance that all aspects of financial transactions are being recorded and reported in compliance with Generally Accepted Accounting Principles (GAAP). The audit team will also conduct interviews with staff in order to review internal controls and processes. In addition, the auditors will ensure that financial entries are accurate, complete and in compliance with Public Sector Accounting Board (PSAB) requirements.

Subsequent to completion of the audit field work, financial statements will be finalized by CRHD staff. As part of the audit process the auditors will provide the CRHD Board with a detailed Audit Findings Report. The finalized financial statements will be presented to the CRHD Board.

CONCLUSION

KPMG’s primary objective of the Financial Statement audit is to present an opinion on the extent to which the CRHD’s consolidated financial statements are fairly presented, in accordance with the PSAB principles. As part of the annual audit, KPMG provides an audit plan to the Hospitals and Housing Committee. The auditors will conduct their audit of the 2017 financial statements pursuant to this plan.

RECOMMENDATION(S)

That the Hospital & Housing Committee recommend to the Capital Regional Hospital District Board:

That the 2017 Capital Regional Hospital District Audit Plan developed by KPMG be approved.

Submitted by:	Bethany Jones, CPA,CMA, Acting Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

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Attachment 1: CRHD 2017 Audit Planning Report