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## **REPORT TO FINANCE COMMITTEE MEETING OF WEDNESDAY, MARCH 07, 2018**

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**SUBJECT**     Audit Planning Discussion

### **ISSUE**

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

### **BACKGROUND**

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

Consistent with the approach from previous years, the auditors circulate the audit plan to the Finance Committee for information prior to the start of the audit. KPMG will make a presentation to the Finance Committee to review the 2017 annual Audit Planning Report (Attachment 1), as a fundamental component of the CRD's annual financial statement audit. This standard audit procedure is similarly undertaken by other local governments in the region.

The presentation will provide the Finance Committee 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. At the Finance Committee meeting, KPMG will obtain the Committee's views on the risk of fraud for the CRD.

KPMG will present to the Finance Committee an overview of the audit cycle, timetable and specific areas that the audit will focus on: Core Area Wastewater Treatment Program (CAWTP) assets, cash and investments, tangible capital assets, liability for contaminated sites, accounts payable and accrued liabilities, debt, revenue and expenses. KPMG will provide the basis of audit materiality they deem necessary to evaluate any misstatements they identify during the audit.

### **ALTERNATIVES**

#### **Alternative 1**

That the Finance Committee recommend to the Capital Regional District Board:  
That the 2017 Capital Regional District Audit Plan developed by KPMG be approved.

#### **Alternative 2**

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

### **IMPLICATIONS**

KPMG will be onsite at the CRD beginning Tuesday, April 3, 2018, for approximately three weeks

to conduct audit field work. While onsite the auditors will perform sample testing on many areas including invoices, journal entries, accounts receivables, and accounts payables 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 all consolidation 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 CRD staff. As part of the audit process the auditors will provide the CRD with a detailed Audit Findings Report. The finalized financial statements will be presented to the Finance Committee on Wednesday, June 6, 2018, with the Audit Findings Report and Statements of Financial Information (SOFI).

### **CONCLUSION**

KPMG's primary objective of the Financial Statement audit is to present an opinion on the extent to which the CRD'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 Finance Committee. The auditors will conduct their audit of the 2017 financial statements pursuant to this plan.

### **RECOMMENDATION(S)**

That the Finance Committee recommend to the Capital Regional District Board:  
That the 2017 Capital Regional District Audit Plan developed by KPMG be approved.

Submitted by:	Rianna Lachance, BCom, CPA, CA, 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: 2017 Audit Planning Report