

**REPORT TO CAPITAL REGIONAL HOSPITAL DISTRICT BOARD
MEETING OF WEDNESDAY, JANUARY 08, 2020**

SUBJECT **Capital Regional Hospital District 2019 Audit Planning Discussion**

ISSUE SUMMARY

This report provides information to the Capital Regional Hospital Board on the 2019 Audit Plan and related work to be completed by KPMG for the 2019 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.

Consistent with the approach from previous years, the auditors circulate the audit plan to the Board for information prior to the start of the audit. KPMG will make a presentation to the Board to review the 2019 annual Audit Planning Report (Appendix A), 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 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. Additionally, at the Board meeting, KPMG will obtain the Board's views on the risk of fraud for the CRHD.

KPMG will present to the Board an overview of the audit cycle, timetable and specific areas that the audit will focus on: cash and investments, tangible capital assets in particular 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 Capital Regional Hospital District 2019 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 begin the year end field work March 2, 2020, for two weeks. 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 Canadian Public Sector Accounting Standards (PSAS). The audit team will also conduct interviews with staff in order to review internal controls and processes.

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 Board with a detailed Audit Findings Report. The finalized financial statements will be presented to the Board.

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 principles. As part of the annual audit, KPMG provides an audit plan to the Board. The auditors will conduct their audit of the 2019 financial statements pursuant to this plan.

RECOMMENDATION

That the Capital Regional Hospital District 2019 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:	Kevin Lorette, Acting Chief Administrative Officer

ATTACHMENT

Appendix A: KPMG CRHD 2019 Audit Planning Report