

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

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

**ISSUE SUMMARY**

This report provides information to the Capital Regional District Board on the 2019 Audit Plan and related work to be completed by KPMG for the 2019 year-end audit of the Capital Regional District (CRD) concurrently with the Capital Regional Hospital District (CRHD) and the Capital Region Housing Corporation (CRHC).

**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 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 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 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 CRD.

KPMG will present to the Board an overview of the audit cycle, timetable and specific areas that the audit will focus on: Core Area Wastewater Treatment Program (CAWTP) expenditures and impairment of assets, Regional Housing First Program as it is a new business model for the CRD, 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 Capital Regional 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 onsite March 9, 2020, for approximately two 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 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 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 Governance and Finance Committee on Wednesday, May 6, 2020, 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 PSAS. 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 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 CRD 2019 Audit Planning Report