



## Notice of Meeting and Meeting Agenda Capital Regional Hospital District Board

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Wednesday, January 8, 2020

1:00 PM

6th Floor Boardroom  
625 Fisgard Street  
Victoria, BC

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### 1. TERRITORIAL ACKNOWLEDGEMENT

### 2. APPROVAL OF THE AGENDA

### 3. ADOPTION OF MINUTES

- 3.1. [20-026](#) Minutes of the December 11, 2019 Capital Regional Hospital District Board

**Recommendation:** That the minutes of the Capital Regional Hospital District Board meeting of December 11, 2019 be adopted as circulated.

**Attachments:** [Minutes - December 11, 2019](#)

### 4. REPORT OF THE CHAIR

### 5. PRESENTATIONS/DELEGATIONS

#### 5.1 Presentations

- 5.1.1. [20-038](#) Capital Regional Hospital District 2019 Audit Planning Report, Lenora Lee, Lead Audit Engagement Partner, KPMG

#### 5.2 Delegations

### 6. CONSENT AGENDA

### 7. ADMINISTRATION REPORTS

- 7.1. [20-007](#) Capital Regional Hospital District 2019 Audit Planning Discussion

**Recommendation:** That the Capital Regional Hospital District 2019 Audit Plan developed by KPMG be approved.

**Attachments:** [Staff Report: CRHD 2019 Audit Planning Discussion](#)  
[Appendix A: KPMG CRHD 2019 Audit Planning Report](#)

### 8. REPORTS OF COMMITTEES

### 9. BYLAWS

**10. NOTICE(S) OF MOTION**

**11. NEW BUSINESS**

**12. MOTION TO CLOSE THE MEETING**

**13. RISE AND REPORT**

**14. ADJOURNMENT**

**Voting Key:**

**NWA - Non-weighted vote of all Directors**

**NWP - Non-weighted vote of participants (as listed)**

**WA - Weighted vote of all Directors**

**WP - Weighted vote of participants (as listed)**

## Meeting Minutes

### Capital Regional Hospital District Board

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Wednesday, December 11, 2019

1:00 PM

6th Floor Boardroom  
625 Fisgard Street  
Victoria, BC

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#### PRESENT

D. Blackwell (Chair), C. Plant (Vice-Chair), S. Brice, M. Brame (for B. Desjardins), F. Haynes, L. Helps, M. Hicks, G. Holman, D. Howe, B. Isitt (1:03 pm), M. Alto (for J. Loveday), C. McNeil-Smith, R. Martin, R. Mersereau, K. Murdoch, G. Orr, J. Ranns, D. Screech, L. Seaton, J. Bateman (for M. Tait), N. Taylor, K. Williams, R. Windsor, G. Young

Staff: R. Lapham, Chief Administrative Officer; N. Chan, Chief Financial Officer; L. Hutcheson, General Manager, Parks and Environmental Services; K. Lorette, General Manager, Planning and Protective Services; K. Morley, General Manager, Corporate Services; T. Robbins, General Manager, Integrated Water Services; M. Barnes, Senior Manager, Health and Capital Planning Strategies; E. Gorman, Deputy Corporate Officer; S. Closson, Committee Clerk (Recorder)

The meeting was called to order at 1:02 pm.

#### 1. TERRITORIAL ACKNOWLEDGEMENT

Director Haynes provided a Territorial Acknowledgement in the preceding Capital Region Housing Corporation Board meeting.

#### 2. APPROVAL OF THE AGENDA

**MOVED by Alternate Director Bateman, SECONDED by Director Brice,  
That the agenda for the December 11, 2019 Session of the Capital Regional  
Hospital District Board be approved.  
CARRIED**

#### 3. ADOPTION OF MINUTES

- 3.1. [19-1026](#) Minutes of the October 30, 2019 and November 13, 2019 Capital Regional Hospital District Board Meetings

**MOVED by Director Brice, SECONDED by Director Helps,  
That the minutes of the Capital Regional Hospital District Board meetings of  
October 30, 2019 and November 13, 2019 be adopted as circulated.  
CARRIED**

#### 4. REPORT OF THE CHAIR

Chair Blackwell thanked Directors for reappointing her to another term. She also thanked staff for a 2.43% reduction in the budget. Last week the Chair met with other Vancouver Island Board Chairs on the topic of new facility funding and the Summit project success as a model.

## 5. PRESENTATIONS/DELEGATIONS

### 5.1 Presentations

There were no presentations.

### 5.2 Delegations

There were no delegations.

## 6. CONSENT AGENDA

There were no items for consideration under this section.

## 7. ADMINISTRATION REPORTS

There were no administration reports.

## 8. REPORTS OF COMMITTEES

### Hospitals and Housing Committee

1. [19-910](#) James Bay Urgent and Primary Care Centre Fund Request

K. Lorette provided a brief synopsis of the James Bay Urgent and Primary Care Centre Fund Request.

**MOVED by Director Isitt, SECONDED by Director Haynes,  
That CRHD funding in the amount of \$1,500,000 be approved for the James Bay Urgent and Primary Care Centre (UPCC).  
CARRIED**

**MOVED by Director Isitt, SECONDED by Alternate Director Brame,  
That CRHD Bylaw No. 398, "Capital Regional Hospital District Capital Bylaw No. 174, 2019" (for a maximum of \$1,500,000) be introduced and read a first, second, and third time.  
CARRIED**

**MOVED by Director Brice, SECONDED by Director Isitt,  
That Bylaw No. 398 be adopted.  
CARRIED**

**MOVED by Director Isitt, SECONDED by Director Helps,  
That CRHD provide Island Health a letter of support to designate the James Bay UPCC a health facility under Section 49 of the Hospital District Act.  
CARRIED**

2. [19-788](#) Revenue Anticipation Resolution for Current Capital Regional Hospital District Operating Expenditures

N. Chan spoke to the Revenue Anticipation Resolution for the Current

Capital Regional Hospital.

**MOVED** by Director Murdoch, **SECONDED** by Director Seaton,  
That the Revenue Anticipation Resolution be adopted to allow the temporary  
borrowing of up to \$10 million for current Capital Regional Hospital District  
operating expenditures.

**CARRIED**

#### **9. BYLAWS**

There were no bylaws for consideration under this section.

#### **10. NOTICE(S) OF MOTION**

There were no Notice(s) of Motion.

#### **11. NEW BUSINESS**

There was no new business.

#### **12. MOTION TO CLOSE THE MEETING**

There was no motion to close the meeting.

#### **13. RISE AND REPORT**

There was no Rise and Report.

#### **14. ADJOURNMENT**

**MOVED** by Director Brice, **SECONDED** by Director Helps,  
That the December 11, 2019 Capital Regional Hospital District Board meeting be  
adjourned at 1:07 pm.

**CARRIED**

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**CHAIR**

**CERTIFIED CORRECT:**

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**CORPORATE OFFICER**

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

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**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



# Capital Regional Hospital District

Audit Planning Report for the year ended  
December 31, 2019

*KPMG LLP*

December 2, 2019, for presentation  
on January 8, 2020

[kpmg.ca/audit](http://kpmg.ca/audit)





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At KPMG, we are **passionate** about earning your **trust**. We take deep **personal accountability**, individually and as a team, to deliver **exceptional service and value** in all our dealings with you.

At the end of the day, we measure our success from the **only perspective that matters – yours**.

This Audit Planning Report should not be used for any other purpose or by anyone other than the Board of Directors. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Planning Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



# Executive summary

We are pleased to provide for your review the following information relating to the planned scope and timing for the audit of the financial statements of the Capital Regional Hospital District (the “Entity”) for the year ended December 31, 2019.



## Audit risk

Our audit of the Entity is risk-focused. As part of our audit process, we have had discussions with management about any changes in the organization or other items that should be brought to our attention and considered the impact to the audit.

See page 3 for further details.



## Changes in operations

During the 2019 fiscal year, the Entity recognized significant construction progress on Summit at Quadra Village.

See page 4 for further details.



## Changes in accounting standards

PS 3430 *Restructuring Transactions* is effective for the Entity’s 2019 fiscal year. There is no expected impact on the financial statements from the adoption of the new accounting standard.



# Executive summary (continued)



## Audit materiality

Materiality has been determined based on total revenues. We have determined materiality to be \$700,000 (2018 - \$700,000) for the year ending December 31, 2019.

See page 5 for further details.



## Independence

We are independent of the Entity and have extensive quality control and conflict checking processes in place. We provide complete transparency on all services and follow the Entity's approved protocols.



## Current developments

See pages 8 to 11 for the current developments update.



# Audit risks

## Professional requirements

Fraud risk from revenue recognition. There are generally pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition when there is an expectation to maintain a balanced budget from year to year.

Fraud risk from management override of controls.

## Why is it significant?

This is a presumed fraud risk.

This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

## Our audit approach

The risk of fraud from revenue recognition has been rebutted as there were no significant pressures or incentives identified related to revenue recognition.

As the risk of management override is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions.



# Changes in operations

## Significant update in operations

Summit at Quadra Village

## Why is it significant?

CRHD continues to incur capital expenditures related to the construction of Summit and will be establishing a lease with Island Health to provide residential care services.

## Our audit approach

- We will review the Board meeting minutes and any related committees for this project.
- We will obtain and review the contracts and agreements between CRHD and Island Health and assess the accounting treatment of the terms and conditions.
- We will review a sample of capital asset additions including the underlying source documentation related to the project.
- We will assess contract progress and ongoing commitments and contingencies related to the project.
- We will assess management's accounting and disclosures for the transactions related to this project.

# Materiality

Materiality determination	Comments	Amount
<b>Materiality</b>	Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. The corresponding amount for the prior year's audit was \$700,000.	\$700,000
<b>Benchmark</b>	Based on prior year audited total revenues. This benchmark is consistent with the prior year. The corresponding amount for the prior year's audit was \$36.7M.	\$38.1M
<b>% of Benchmark</b>	The corresponding percentage for the prior year's audit was 1.9%.	1.8%
<b>Audit Misstatement Posting Threshold (AMPT)</b>	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the previous year's audit was \$525,000.	\$525,000

Materiality is used to scope the audit, identify risks of material misstatements and evaluate the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors.

To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality.

Professional standards require us to re-assess materiality at the completion of our audit based on period-end results or new information in order to confirm whether the amount determined for planning purposes remains appropriate.

## We will report to the Board of Directors:



Corrected audit misstatements

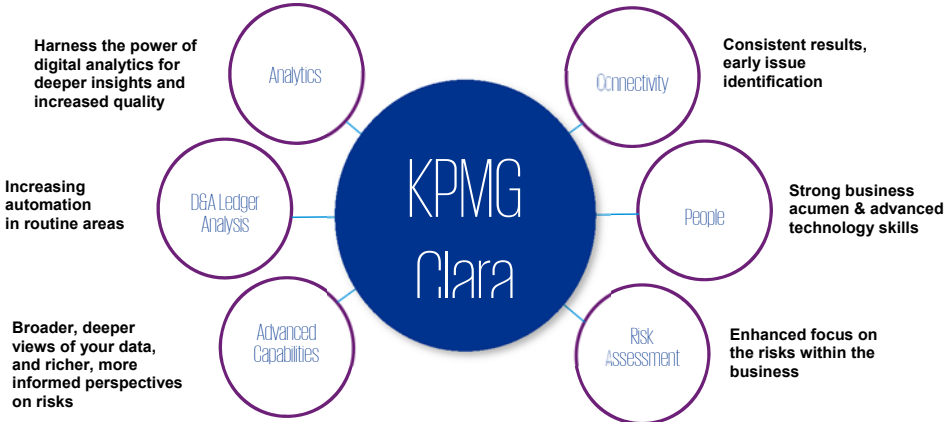


Uncorrected audit misstatements

# The audit of today, tomorrow & the future

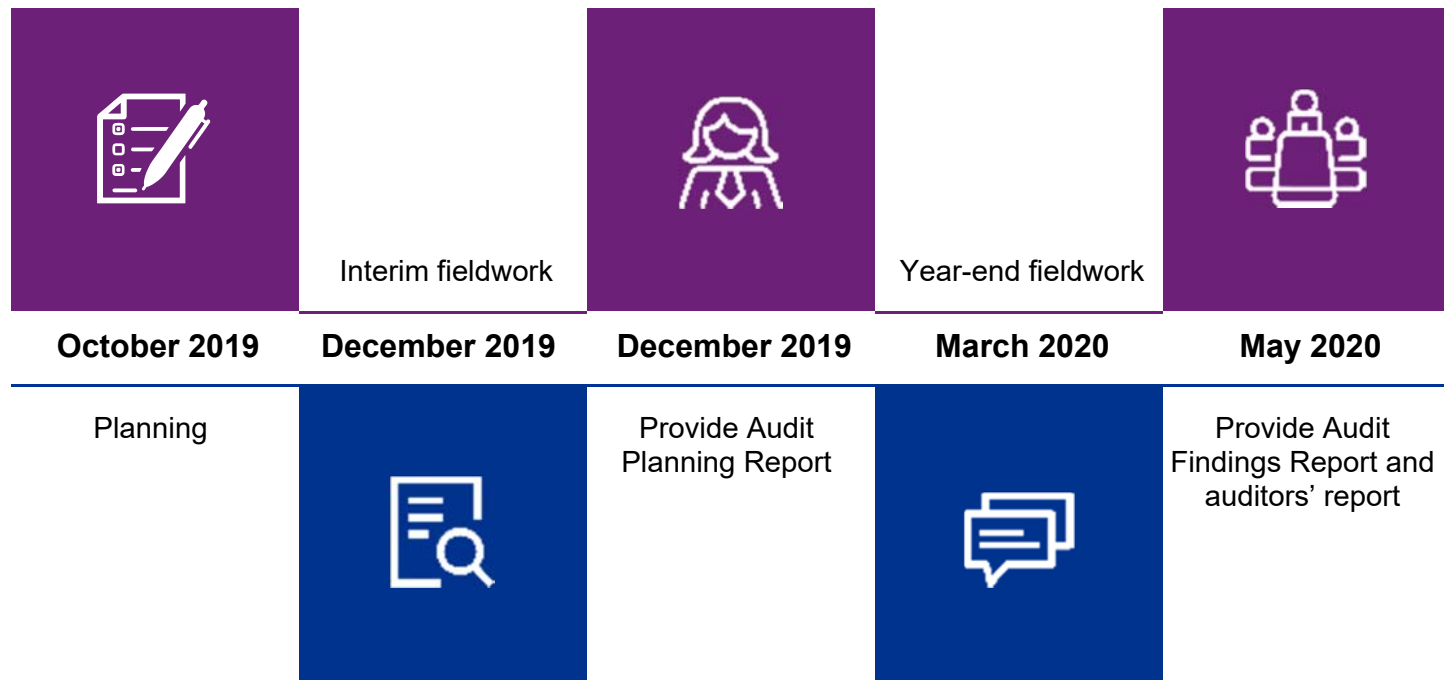
As part of KPMG’s technology leadership, our audit practice has developed technologies and alliances to continuously enhance our capabilities and deliver an exceptional audit experience.

Technology empowers us with the ability to perform deep analysis over your financial information, focusing our effort and interactions on the areas of greatest risk and minimizing disruption to your business.



Technology we use today	
Tool	Benefit to audit
<b>KPMG Clara Advanced Capabilities</b>	KPMG Clara Advanced Capabilities leverage our data and analytics capabilities, enabling us to analyze 100% of your general ledger data in the planning and account analysis stage and adjust our planned audit approach accordingly to target the areas of greatest risk.
<b>Visualization Tool</b>	Our Visualization tool is a powerful and flexible end-to-end analytics platform which we leverage to display dynamic visualization of your data. This enables us to provide valuable insights to your business throughout our audit process.
<b>Account Analysis Tool</b>	Our account analysis tool provides meaningful general ledger data insights during the planning phase of the audit that can be used to assist the engagement team in obtaining a more thorough understanding of the business processes and underlying flow of transactions through utilization of Account Analysis, Visual Ledger and Journal Entry Analysis functional features. Our tool enables a more precise risk assessment and development of a tailored audit approach.
<b>Data Extraction &amp; Analytics Tools</b>	Our data extraction tools assist with risk assessment procedures and perform automated audit procedures in key cycles using data extracted directly from your ERP system.

# Key deliverables and milestones





# Current developments

Standard	Summary and implications
Asset Retirement Obligations	<ul style="list-style-type: none"><li>– A new standard has been approved that is effective for fiscal years beginning on or after April 1, 2021.</li><li>– The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area.</li><li>– The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life.</li><li>– As a result of the new standard, the public sector entity will have to:<ul style="list-style-type: none"><li>• consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;</li><li>• carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements;</li><li>• begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.</li></ul></li></ul>
Revenue	<ul style="list-style-type: none"><li>– A new standard has been approved that is effective for fiscal years beginning on or after April 1, 2022.</li><li>– The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.</li><li>– The standard notes that in the case of revenues arising from an exchange, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.</li><li>– The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.</li></ul>

# Current developments (continued)

Standard	Summary and implications
Employee Future Benefit Obligations	<ul style="list-style-type: none"><li>– PSAB has initiated a review of sections PS3250 Retirement Benefits and PS3255 Post-Employment Benefits, Compensated Absences and Termination Benefits. Given the complexity of issues involved and potential implications of any changes that may arise from this review, the project will be undertaken in phases. Phase I will address specific issues related to measurement of employment benefits. Phase II will address accounting for plans with risk sharing features, multi-employer defined benefit plans and sick leave benefits.</li><li>– Three Invitations to Comment were issued and have closed. The first Invitation to Comment sought guidance on whether the deferral provisions in existing public sector standards remain appropriate and justified and the appropriateness of accounting for various components of changes in the value of the accrued benefit obligation and plan assets. The second Invitation to Comment sought guidance on the present value measurement of accrued benefit obligations. A third Invitation to Comment sought guidance on non-traditional pension plans. PSAB is currently deliberating on the comments received from the three Invitations to Comment.</li><li>– The ultimate objective of this project is to issue a new employment benefits section to replace existing guidance.</li></ul>
Public Private Partnerships (“P3”)	<ul style="list-style-type: none"><li>– PSAB has proposed new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. An exposure draft has been approved by PSAB and will be issued in November 2019, with comments due by February 29, 2020.</li><li>– The exposure draft proposes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends.</li><li>– The exposure draft proposes that the public sector entity recognize a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure.</li><li>– The infrastructure would be valued at cost, with a liability of the same amount if one exists. Cost would be measured by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.</li></ul>

# Current developments (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"><li>– PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards.</li><li>– A Statement of Concepts (“SOC”) and Statement of Principles (“SOP”) were issued for comment in May 2018 and has closed. PSAB is in the process of developing two exposure drafts for comment.</li><li>– The SOC proposes a revised, ten chapter conceptual framework intended to replace PS 1000 <i>Financial Statement Concepts</i> and PS 1100 <i>Financial Statement Objectives</i>. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced.</li><li>– The SOP includes principles intended to replace PS 1201 <i>Financial Statement Presentation</i>. The SOP proposes:<ul style="list-style-type: none"><li>• Removal of the net debt indicator, except for on the statement of net debt where it would be calculated exclusive of financial assets and liabilities that are externally restricted and/or not available to settle the liabilities or financial assets.</li><li>• Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).</li><li>• Restructuring the statement of financial position to present non-financial assets before liabilities.</li><li>• Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities).</li><li>• A new provision whereby an entity can use an amended budget in certain circumstances.</li><li>• Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.</li></ul></li></ul>

# Current developments (continued)

Standard	Summary and implications
International Strategy	<ul style="list-style-type: none"><li>– PSAB is in the process of reviewing its current approach towards International Public Sector Accounting Standards. This project may result in changes to the role PSAB plays in setting standards in Canada.</li><li>– Consultation papers were released for comment in May 2018 and March 2019, and have closed. The consultation papers described the decision-making criteria PSAB expects to consider in evaluating the international strategy that best serves the public sector. It also introduced four proposed international strategies.</li><li>– PSAB is expected to make a final decision about its international strategy at its March 2020 meeting.</li></ul>
Purchased Intangibles	<ul style="list-style-type: none"><li>– In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. The proposal does not include guidance on how to account for intangibles. Instead, the definition of an asset, the general recognition criteria and the GAAP hierarchy is expected to provide guidance on how to account for intangibles. The accounting for intangibles may be addressed through future PSAB projects.</li></ul>

# Appendices



**Appendix 1: Audit quality and risk management**



**Appendix 2: KPMG's audit approach and methodology**



**Appendix 3: Required communications**



**Appendix 4: Lean in Audit™**



**Appendix 5: Audit approach**

# Appendix 1: Audit quality and risk management



**KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards. Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems. Visit our [Audit Quality Resources page](#) for more information including access to our most recent Audit Quality and Transparency Report.**

We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.

We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality. We do not offer services that would impair our independence.

All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.

The processes we employ to help retain and develop people include:

- Assignment based on skills and experience
- Rotation of partners
- Performance evaluation
- Development and training
- Appropriate supervision and coaching



We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.

Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Other controls include:

- Before the firm issues its audit report, Engagement Quality Control
- Reviewer reviews the appropriateness of key elements client audits
- Technical department and specialist resources provide real-time support to audit teams in the field

# Appendix 2: KPMG's audit approach and methodology



In future years, we will expand our use of technology in our audit through our new smart audit platform, KPMG Clara.

## Issue identification

Continuous updates on audit progress, risks and findings before issues become events

## Data-driven risk assessment

Automated identification of transactions with unexpected or unusual account combinations – helping focus on higher risk transactions and outliers



## Deep industry insights

Bringing intelligence and clarity to complex issues, regulations and standards

## Analysis of complete populations

Powerful analysis to quickly screen, sort and filter 100% of your journal entries based on high-risk attributes

## Reporting

Interactive reporting of unusual patterns and trends with the ability to drill down to individual transactions

# Appendix 3: Required communications



**In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:**



## Engagement letter

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter and any subsequent amendment letters as provided by management.



## Management representation letter

We will obtain from management certain representations at the completion of the annual audit. In accordance with professional standards, copies of the representation letter will be provided to the Board of Directors.



## Audit planning report

Represented by this report.



## Audit findings report

At the completion of our audit, we will provide our audit findings to the Board of Directors.



## Independence

At the completion of our audit, we will re-confirm our independence to the Board of Directors.



# Appendix 4: Lean in Audit™



## An innovative approach leading to enhanced value and quality

Our innovative audit approach, Lean in Audit™, further improves audit value and productivity to help deliver real insight to you. Lean in Audit™ is process oriented, directly engaging organizational stakeholders and employing hands-on tools, such as walkthroughs and flowcharts of actual financial processes.

By embedding Lean techniques into our core audit delivery process, our teams are able to enhance their understanding of the business processes and control environment within your organization – allowing us to provide real insight on your processes and actionable quality and productivity improvement observations.

Any insights gathered through the course of the audit will be available to both our audit team and management. For example, the audit team may identify control gaps and potential process improvement areas, while management has the opportunity to apply such insights to streamline processes, inform business decisions, improve compliance, lower costs, increase productivity, strengthen customer service and satisfaction and drive overall performance.



## How it works

Lean in Audit™ employs four key Lean techniques:



### 1. Lean training

Provide basic Lean training and equip our audit teams with a new Lean mindset to improve quality, value and productivity.



### 2. Process mapping workshop

Perform an interactive workshop with your team to map selected financial process providing end-to-end transparency and understanding of the process.



### 3. Insight reporting

Quick and pragmatic insight report including PACE matrix with prioritized opportunities to realize benefit.



### 4. Kaizen event

Perform an interactive workshop to find the root cause of the problem and empower your team to find a solution.

# Appendix 5: Audit approach

Account	Our audit approach
<b>Cash and Investments</b>	<ul style="list-style-type: none"><li>– Confirm year end balances with financial institutions</li><li>– Review year end bank reconciliations and cut-off of transactions at year end</li></ul>
<b>Tangible Capital Assets</b>	<ul style="list-style-type: none"><li>– Inspect and verify the mathematical accuracy of the capital asset continuity schedule</li><li>– Inspect a sample of capital asset additions including the underlying source documentation</li><li>– Assess accounting treatment and policy of capital expenditures and expenditures related to Summit at Quadra Village</li><li>– Review significant new contracts related to Summit at Quadra Village</li><li>– Review a sample of capital asset additions including the underlying source documentation related to Summit at Quadra Village</li></ul>
<b>Accounts Payable</b>	<ul style="list-style-type: none"><li>– Perform cut-off testing to determine if expenses relating to fiscal 2019 have been recorded in the correct period</li><li>– Review and recalculate significant accruals at year end, including commitments and contingencies</li></ul>
<b>Long-term debt and Interest on long-term debt</b>	<ul style="list-style-type: none"><li>– Confirm year end balances, interest paid and accrued with financial institutions</li><li>– Inspect associated bylaws</li></ul>
<b>Revenue</b>	<ul style="list-style-type: none"><li>– Inspect Board approved budget for requisitions value and compare to revenue recognized</li><li>– Inspect associated bylaws</li><li>– Perform substantive analytical procedures comparing actual to budget</li></ul>
<b>Expenses</b>	<ul style="list-style-type: none"><li>– Select a sample of expenditures to compare to source documentation, payment and authorization</li><li>– Perform substantive analytical procedures comparing actual to budget</li></ul>

[kpmg.ca/audit](https://kpmg.ca/audit)



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