

## Notice of Meeting and Meeting Agenda Hospitals and Housing Committee

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Wednesday, February 28, 2018

11:00 AM

6th Floor Boardroom  
625 Fisgard St.  
Victoria, BC V8W 1R7

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PRESENT: G. Young (Chair), D. Howe (Vice-Chair), M. Alto, L. Helps, W. McIntyre, S. Price (Ex-Officio), J. Ranns, D. Screech, K. Williams.

### 1. Approval of Agenda

### 2. Adoption of Minutes

- 2.1. [17-779](#) Minutes of the October 25, 2017 Hospitals and Housing Committee Meeting

**Recommendation:** That the minutes of the October 25, 2017 Hospitals and Housing Committee meeting be adopted as circulated.

**Attachments:** [Minutes: October 25, 2017 Hospitals and Housing Committee Meeting](#)

### 3. Chair's Remarks

### 4. Presentations/Delegations

- 4.1. [18-131](#) Audit Planning Report (Verbal Presentation), Lenora Lee, Lead Audit Engagement Partner, KPMG

**Recommendation:** That the Hospitals and Housing Committee receive the presentation for information.

### 5. Committee Business

- 5.1. [18-129](#) Audit Planning Discussion

**Recommendation:** 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.

**Attachments:** [Staff Report: Audit Planning Discussion](#)  
[Attachment: CRHD Audit Planning Report-KPMG](#)

**5.2.**      [18-080](#)      2018 Board Standing and Select Committees - Terms of Reference

**Recommendation:** That the Hospitals and Housing Committee recommends to the Capital Regional District Board:

That the Terms of Reference for the 2018 Hospitals and Housing Committee, as attached in Appendix A, be approved.

**Attachments:**      [Staff Report: 2018 Committee Terms of Reference - HHC](#)  
                                 [Appendix A: 2018 Terms of Reference - HHC](#)

**5.3.**      [18-104](#)      Capital Regional District Housing Action Team Membership 2018

**Recommendation:** a) That the Terms of Reference as presented in Appendix A be approved; and  
b) That the slate of candidates for the 2018 Housing Action Team as presented in Appendix B be approved.

**Attachments:**      [Staff Report: CRD Housing Action Team Membership 2018](#)  
                                 [Appendix A: Housing Action Team Terms of Reference](#)  
                                 [Appendix B: CRD HAT – 2018 Proposed Membership List](#)

**6. New Business****7. Motion to Close the Meeting****7.1.**      [18-136](#)      Motion to Close the Meeting

**Recommendation:** That the meeting be closed in accordance with the Community Charter Part 4, Division 3, 90(2)(b) the consideration of information received and held in confidence relating to negotiations between the regional district and a provincial government or the federal government or both, ... and a third party

**8. Adjournment**

Next Meeting: April 25, 2018

## Meeting Minutes

### Hospitals and Housing Committee

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Wednesday, October 25, 2017

1:30 PM

6th Floor Boardroom  
625 Fisgard St.  
Victoria, BC V8W 1R7

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PRESENT: M. Tait (Vice Chair), M. Alto, D. Blackwell, J. Brownoff, L. Helps, D. Martin (for W. McIntyre), D. Screech, R. Windsor, L. Hundleby (for B. Desjardins)

STAFF: R. Lapham, Chief Administrative Officer; K. Lorette, General Manager, Planning and Protective Services; C. Culham, Senior Manager, Regional Housing; M. Barnes, Manager, Health and Capital Planning Strategies; E. Gorman, Acting Corporate Officer; J. Cuthbert, Committee Clerk (Recorder)

REGRETS: Director Howe

#### 1. Approval of Agenda

**MOVED** by Director Helps, **SECONDED** by Director Alto,  
That the agenda be approved as circulated.  
**CARRIED**

#### 2. Adoption of Minutes

- 2.1. [17-779](#) Minutes of the October 25, 2017 Hospitals and Housing Committee Meeting

**MOVED** by Director Blackwell, **SECONDED** by Director Helps,  
That the attached minutes from the September 20, 2017 Hospitals and Housing Committee meeting be adopted as circulated.  
**CARRIED**

#### 3. Chair's Remarks

There were none.

#### 4. Presentations/Delegations

There were none.

#### 5. Committee Business

- 5.1. [17-747](#) 2018 Service Plans Review Process

Mr. Lorette spoke to the report.  
A discussion ensued regarding the following:  
- intended uses for Mt. Tolmie Hospital  
- inclusionary zoning and how CRD housing can help municipalities

- aging infrastructure
- financial and asset management strategy
- tenant engagement program

**MOVED by Director Helps, SECONDED by Director Windsor,  
That the Hospitals and Housing Committee recommends to the Capital Regional  
District Board:  
That the attached service plans be approved as presented.  
CARRIED**

**5.2. [17-768](#) Capital Regional Hospital District 2018-2027 Ten Year Capital Plan**

Mr. Lorette spoke to the report.  
A discussion ensued regarding debt servicing impacts.

**MOVED by Director Alto, SECONDED by Director Brownoff,  
That the Hospitals and Housing Committee recommends to the Capital Regional  
Hospital District Board:  
That the 2018-2027 Capital Regional Hospital District Capital Plan be approved as  
submitted.  
CARRIED**

**5.3. [17-769](#) 2018 Capital Regional Hospital District Provisional Budget**

Mr. Lorette spoke to the report.  
Mr. Barns spoke to the report.

**MOVED by Director Alto, SECONDED by Director Screech,  
That the Hospitals and Housing Committee recommends to the Capital Regional  
Hospital District Board:  
That the 2018 Capital Regional Hospital District Provisional Budget be approved  
as submitted.  
CARRIED**

**6. New Business**

There was none.

**7. Adjournment**

CARRIED

**MOVED by Director Helps, SECONDED by Director Alto,  
That the meeting be adjourned at 12:50 pm.  
CARRIED**

Next Meeting: February 28, 2018

\_\_\_\_\_  
CHAIR

CERTIFIED CORRECT:

\_\_\_\_\_  
CORPORATE OFFICER



Making a difference...together

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

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**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

BJ:ngm

Attachment 1: CRHD 2017 Audit Planning Report



# Capital Regional Hospital District

**Audit Planning Report  
For the year ended December 31, 2017**



For meeting on February 28, 2018

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





The contacts at KPMG in connection with this report are:

Lenora Lee  
Audit Engagement  
Partner  
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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**.

# Executive summary

## Audit approach

Our audit is risk-focused. In planning our audit we have taken into account key areas of focus for financial reporting.

See pages 5 and 6

## KPMG team

The KPMG team will be led by Lenora Lee, Partner. She will be supported by Heather Crow, Senior Manager. Subject matter experts will be involved to ensure our approach is appropriate and robust.

## Effective communication

We are committed to transparent and thorough reporting of issues to management and the Board of Directors.

## Audit Materiality

Materiality has been determined based on an estimate of total revenue. We have determined materiality to be \$650,000 for the year ending December 31, 2017 (2016 - \$600,000).

See page 4

## Independence

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

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.

## Current developments

Please refer to Appendix 5 for relevant accounting changes relevant to the Hospital District.

## Annual inquiries of the Board of Directors

Professional standards require that during the planning of our audit we obtain your views on the risk of fraud.

- Are you aware of, or have you identified any instances of, actual, suspected, possible, or alleged non-compliance of laws and regulations or fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?
- What are your views about fraud risks in the entity?
- How do you provide effective oversight of programs and controls to prevent, detect and deter fraud, including oversight over internal controls management has established to mitigate fraud risks?
- Is the Board aware of tips or complaints regarding the entity's financial reporting and, if so, what are the responses to such tips and complaints?

# Materiality

The determination of materiality requires professional judgment and is based on a combination of quantitative and qualitative assessments including the nature of account balances and financial statement disclosures.

The first step is the determination of the amounts used for planning purposes as follows:

Materiality determination	Comments	Amount
Metrics	Relevant metrics include revenue and expenses.	
Benchmark	Based on an estimate of revenues for the year. This benchmark is consistent with the prior year (2016 - \$33.7 million).	\$34.3 million
Materiality	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 \$600,000.	\$650,000
% of Benchmark	The corresponding percentage for the prior year's audit was 1.7%	1.8%
Performance materiality	Used 75% of materiality, and used primarily to determine the nature, timing and extent of audit procedures. The corresponding amount for the prior year's audit was \$450,000.	\$487,500
Audit Misstatement Posting Threshold (AMPT)	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the previous year's audit was \$30,000.	\$32,500
	Different threshold used to accumulated reclassification misstatements.	\$65,000

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. Our assessment of misstatements, if any, in amounts or disclosures at the completion of our audit will include the consideration of both quantitative and qualitative factors.

# Audit approach

Inherent risk is the susceptibility of an assertion related to a significant account or disclosure to a misstatement which could be material, individually or when aggregated with other misstatements, assuming that there are no related controls.

Our assessment of inherent risk is based on various factors, including the size of the balance, its inherent complexity, the level of uncertainty in measurements, as well as significant external market factors or those particular to the internal environment of the entity.

We did not identify any areas with significant financial reporting risks. Areas of audit focus include those set out in the accompanying table. The Summit at Quadra Village Project will be an area of focus given the significance and the changing shift in operations that it represents.

Financial Statement Caption	Our audit approach
Cash and Investments	<ul style="list-style-type: none"> <li>• Confirm year end balances with financial institutions</li> <li>• Inspect year end bank reconciliations and cut-off</li> </ul>
Tangible Capital Assets	<ul style="list-style-type: none"> <li>• Review and verify 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 Project</li> <li>• Review contracts related to Summit at Quadra Village Project</li> <li>• Review a sample of capital asset additions including the underlying source documentation related to Summit at Quadra Village Project</li> </ul>
Accounts Payable	<ul style="list-style-type: none"> <li>• Perform cut-off testing to determine if all expenses relating to fiscal 2017 have been recorded</li> <li>• Review and verify mathematical accuracy of significant accruals at year end</li> </ul>
Long-term debt and Interest on long-term debt	<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>
Revenue	<ul style="list-style-type: none"> <li>• Inspect Board approved budget for requisitions value and compare to revenue</li> <li>• Inspect associated bylaws</li> <li>• Perform substantive analytical procedures of actual to budget</li> </ul>
Expenses	<ul style="list-style-type: none"> <li>• Select a sample of expenditures, compare sample to source documentation, payment and authorization</li> <li>• Perform substantive analytical procedures of actual to budget</li> </ul>

# Audit approach

Professional standards presume the risk of fraudulent revenue recognition and the risk of management override of controls exist in all companies. The risk of fraudulent revenue recognition can be rebutted, but the risk of management override of control cannot, since management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Professional requirements	Why	Our audit approach
<p>Fraud risk from revenue recognition</p>	<p>This is a presumed fraud risk. 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.</p>	<ul style="list-style-type: none"> <li>— Evaluation and testing controls related to recording of journal entries</li> <li>— Detailed review of Board approved requisitions</li> <li>— Detailed cut-off testing of revenues with large or unusual reconciling items</li> <li>— Detailed testing of journal entries at period end and subsequent to year end</li> </ul>
<p>Fraud risk from management override of controls</p>	<p>This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.</p>	<p>As the risk 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.</p>

# Value for fees

In determining the fees for our services, we have considered the nature, extent and timing of our planned audit procedures as described above. Our fee analysis has been reviewed with and agreed upon by management.

Our fees are estimated as follows:

	Current period - 2017 (budget)	Prior period - 2016 (actual)
Audit of the annual financial statements, base fee	\$ 13,000	\$ 15,200

## Matters that could impact our fee

The proposed fees outlined above are based on the assumptions described in the engagement letter.

The critical assumptions, and factors that cause a change in our fees, include:

- Significant changes in the nature or size of the operations of the Hospital District beyond those contemplated in our planning processes;
- Changes in professional standards or requirements arising as a result of changes in professional standards or the interpretation thereof;
- Changes in the time of our work;
- Capital activity and related audit procedures associated with the construction of Summit at Quadra Village Project will be billed separately (\$4,500 in fiscal 2016).

# Audit cycle and timetable

Our key activities during the year are designed to achieve our one principal objective:

- To provide a robust audit, efficiently delivered by a high quality team focused on key issues.
- Our timeline is in line with the prior year.

Commence year end planning  
November 2017

November 2017

Interim fieldwork and meet with management to debrief planning issues: November 2017  
Audit plan discussion with Board of Directors February 28, 2018

November 2018  
Audit strategy discussions based on debrief of audit June 2018



February 2018  
Final fieldwork: starting April 2, 2018  
Closing meetings: May 2018  
Audit findings discussion with the Board of Directors: June 2018  
Issuance of audit report on financial statements June 2018

June 2018

# Appendices

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

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

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**Appendix 3: Required communications**

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**Appendix 4: KPMG's Cyber Security Protocol**

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**Appendix 5: Current developments**

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# 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 audit quality report, [Audit quality: Our hands-on process](#).

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



- 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.
- We do not offer services that would impair our independence.
- 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; and
  - 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.

# Appendix 2: KPMG's audit approach and methodology

## Technology-enabled audit workflow (eAudit)

### Engagement Setup

- Tailor the eAudit workflow to your circumstances
- Access global knowledge specific to your industry
- Team selection and timetable

### Completion

- Tailor the eAudit workflow to your circumstances
- Update risk assessment
- Perform completion procedures and overall evaluation of results and financial statements
- Form and issue audit opinion on financial statements
- Obtain written representation from management
- Required Board of Director communications
- Debrief audit process



### Risk Assessment

- Tailor the eAudit workflow to your circumstances
- Understand your business and financial processes
- Identify significant risks
- Plan the use of KPMG specialists and others including auditor's external experts, management experts, internal auditors, service organizations auditors and component auditors
- Determine audit approach
- Evaluate design and implementation of internal controls (as required or considered necessary)

### Testing

- Tailor the eAudit workflow to your circumstances
- Perform tests of operating effectiveness of internal controls (as required or considered necessary)
- Perform substantive tests

## 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 previously provided. The terms of the engagement have not changed.
- **Audit planning report** – as attached
- **Required inquiries** – professional standards require that during the planning of our audit we obtain your views on risk of fraud and other matters. We make similar inquiries to management as part of our planning process; responses to these will assist us in planning our overall audit strategy and audit approach accordingly
- **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 findings report** – at the completion of our audit, we will provide a report to the Board of Directors

# Appendix 4: KPMG's Cyber Security Protocol

This summary is intended to provide management and Board of Directors members with some insight into KPMG's strategies and procedures regarding our cyber defence.

## KPMG Global

KPMG Global provides managed security services for member firms which includes 24x7 monitoring and alerting services to identify potential attacks on our environment. We use a series of centrally managed firewalls among our network of member firms to identify and address potential attacks to member firms and to prevent attacks from spreading between member firms. This approach was in place during the Wanna Cry outbreak and was a critical element in our successful defence against that incident.

KPMG Global has also implemented enhanced email protection to address malware and attacks through email and we have implemented automated vulnerability detection services. This service scans equipment that is exposed to the Internet and identifies known vulnerabilities on a real-time basis. "Good housekeeping" is a central tenet of our approach and we continue to focus on known vulnerabilities and patching.

KPMG Global believes the cloud represents a secure environment when appropriately configured and monitored as a platform to deliver services. Our approach to secure the cloud includes deploying full-time, dedicated security and privacy resources, integrating the cloud platform into our managed security services to promote "good housekeeping," and deploying a continuous monitoring plan for each of the cloud platforms that we deploy to member firms and to our clients.

KPMG Global has invested heavily in enhancing the security of our environment, evidenced by the introduction of our Global Security Operations Centre, managed services and other enhancements to our cyber defence.

## KPMG Canada Approach

- KPMG Canada does not currently use Office 365 or Cloud based email.
- Cloud environments provide robust security when properly configured, with proper password management.
- The Canadian firm's email servers are hosted in Canada and controlled and managed by KPMG Canada.
- In compliance with our global security controls, we enforce strong passwords that need to be renewed at regular intervals.
- We also maintain a specific IT security platform for the maintenance and management of privileged accounts.
- KPMG's Information Security Program is built on a comprehensive framework of policies, standards, and processes based on ISO 27001:2013.
- KPMG's security requirements are set out in Global Information Security Policies and Standards (GISP).
- The Canadian firm undergoes an internal audit every year to ensure compliance to key security controls in the GISP.
- Every three years, the Canadian firm goes through a Compliance Review conducted by a team from non-Canadian member firms.

## Cyber Security, Is your organization at risk?

Cyber-attacks are an inevitable part of life today, and the financial and reputational costs of not being prepared against such attacks are significant. Cyber-attacks are being launched against all forms of valuable information including both financial and non-financial data sources. Estimates suggest the global financial impact of cybercrime is US\$114 billion; companies are thought to bear almost 80% of those costs. The nature of these attacks and the perpetrators behind them are always changing. Hacktivists, organized criminals, competitors, and even rogue governments are mounting attacks with a high level of sophistication and persistence. These perpetrators have different motives, however are common in that they are looking to either disrupt or better themselves by stealing another entities data.

Patching servers and installing intrusion detection systems is no longer enough to protect your critical assets and business processes. Cyber Security has never been solely about IT; it has always been a business issue first. To survive and prosper requires a business-wide understanding of the threats, safeguards, and responses involved. Key elements to consider include:

- Preparing your people, processes, infrastructure and technology to resist an attack
- Detecting the attack and initiating your response
- Containing and investigating the attack
- Recovering from an attack and resuming business operations
- Reporting on and improving security

Organizations should be reviewing their organization and considering Cyber Risks. Key data that may be identified includes student, banking, payroll data etc.

# Appendix 5: Current developments

## Public Sector Accounting Standards

Standard	Summary and implications
Related Party Transactions and Inter-entity Transactions	<ul style="list-style-type: none"> <li>— Two new Handbook sections are effective for fiscal years beginning on or after April 1, 2017.</li> <li>— Related parties include entities that control or are controlled by a reporting entity, entities that are under common control and entities that have shared control over or that are subject to shared control of a reporting entity.</li> <li>— Individuals that are members of key management personnel and close members of their family are related parties. Disclosure of key management personnel compensation arrangements, expense allowances and other similar payments routinely paid in exchange for services rendered is not required.</li> <li>— Determining which related party transactions to disclose is a matter of judgment based on assessment of:               <ul style="list-style-type: none"> <li>• the terms and conditions underlying the transactions;</li> <li>• the financial significance of the transactions;</li> <li>• the relevance of the information; and</li> <li>• the need for the information to enable users' understanding of the financial statements and for making comparisons.</li> </ul> </li> <li>— A related party transaction, with the exception of contributed goods and services, should normally be recognized by both a provider organization and a recipient organization on a gross basis.</li> <li>— Related party transactions, if recognized, should be recorded at the exchange amount. A public sector entity's policy, budget practices or accountability structures may dictate that the exchange amount is the carrying amount, consideration paid or received or fair value.</li> </ul>
Assets, Contingent Assets and Contractual Rights	<ul style="list-style-type: none"> <li>— Three new Handbook sections are effective for fiscal years beginning on or after April 1, 2017.</li> <li>— The intended outcome of the three new Handbook Sections is improved consistency and comparability.</li> <li>— The standard includes enhanced guidance on the definition of assets and disclosure of assets to provide users with better information about the types of resources available to the public sector entity.</li> <li>— Disclosure of contingent assets and contractual rights is required to provide users with information about the nature, extent and timing of future assets and potential assets and revenues available to the public sector entity when the terms of those contracts are met.</li> </ul>

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**Employee Future Benefit Obligations**

- PSAB has initiated a review of sections PS3250 Retirement Benefits and PS3255 Post-Employment 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.
- An Invitation to Comment was issued in November 2016 and closed March 2017, seeking 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. Responses are currently under deliberation.
- An Invitation to Comment is expected to be issued in November 2017 seeking guidance on the present value measurement of accrued benefit obligations. Webinars with an overview of the Invitation to Comment are scheduled for January 2018.
- The ultimate objective of this project is to issue a new employment benefits section to replace existing guidance.

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**Asset Retirement Obligations**

- A new standard is under development addressing the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs would be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area.
  - PSAB recently released an Exposure Draft following the consideration of comments received in response to the previously released Statement of Principles. Responses are currently under deliberation.
  - The proposed ARO standard would 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 would be added to the historical cost of the asset and amortized over its useful life.
  - As a result of the proposed standard, the public sector entity would have to:
    - consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;
    - 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;
    - 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.
  - The Exposure Draft has a proposed effective date of April 1, 2021 for the standard.
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**Public Private Partnerships**

- A taskforce was established in 2016 as a result of increasing use of public private partnerships for the delivery of services and provision of assets.
- A Statement of Principles (SOP) was issued in August 2017 which proposes new requirements for recognizing, measuring and classifying infrastructure procured through a public private partnership. Responses are currently under deliberation.
- The SOP 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.
- The SOP proposes 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.
- 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.

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**Revenue**

- PSAB is proposing a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.
  - An Exposure Draft (ED) was issued in May 2017 seeking feedback from stakeholders. Responses are currently under deliberation.
  - The ED proposes 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.
  - The ED proposes 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.
  - The new section would be applied retroactively with restatement for fiscal years beginning on or after April 1, 2021.
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**REPORT TO THE HOSPITALS AND HOUSING COMMITTEE  
MEETING OF WEDNESDAY, FEBRUARY 28, 2018**

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**SUBJECT** 2018 Board Standing and Select Committees – Terms of Reference

**ISSUE**

To establish the terms of reference for the 2018 Board Standing and Select Committees.

**BACKGROUND**

Terms of reference (ToR) serve to clarify the mandate, responsibilities and procedures governing committees and provide a point of reference and guidance for the committees and their members. This year, the ToR are being considered by each committee and will be forwarded to the Board for approval.

Under the *Local Government Act* and the Capital Regional District (CRD) Board Procedures Bylaw, the CRD Board Chair has the authority to establish Standing Committees and appoint members. The CRD Board has the authority to establish Select Committees and the authority to establish Advisory Committees to provide advice and recommendations to the Board or a Board Standing Committee.

The 2018 committee structure remains largely the same as in 2017, and therefore there are no governance changes requiring amendments to the ToR. There is a change in 2018 with the Committee meeting on a bi-monthly basis rather than monthly and this has been amended in the ToR.

**ALTERNATIVES**

*Alternative 1*

That the Hospitals and Housing Committee recommend that the 2018 Terms of Reference, as attached in Appendix A, be approved.

*Alternative 2*

That the terms of reference be referred back to staff for further review.

**IMPLICATIONS**

The ToR that have been developed for each committee identify the mandate or purpose of the committee, its establishment and authority, composition, procedures and staff resources. Committees are generally structured around specific service areas. Where applicable, other committees that report through each of the committees have been identified. The 2018 committee structure is largely unchanged from 2017 and therefore no major governance amendments to the ToR are anticipated.

**Next Steps**

Following the confirmation by each Committee of their ToR and approval by the CRD Board, the ToR will be posted to the website.

**RECOMMENDATION**

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

That the Terms of Reference for the 2018 Hospitals and Housing Committee, as attached in Appendix A, be approved.

Submitted by:	Kristen Morley, J.D., General Manager, Corporate Services
Concurrence:	Kevin Lorette, P.Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Robert Lapham, Chief Administrative Officer, RPP, MCIP

Attachments: Appendix A – 2018 Terms of Reference

# Terms of Reference

The logo for the Capital Regional District (CRD), consisting of the letters 'CRD' in a stylized, bold font.

## HOSPITALS AND HOUSING COMMITTEE

### PREAMBLE

The Capital Regional District (CRD) Hospitals and Housing Committee is a Standing Committee established by the CRD Board and will oversee and make recommendations to the Board on matters relating to hospitals and housing.

The Committee's official name is to be:

Hospitals and Housing Committee

### 1.0 PURPOSE

The mandate of the Committee includes providing advice or making recommendations, or both, to the Board regarding the following region-wide functions:

- a) Regional housing matters;
- b) Alternative models for managing and financing capital and development projects related to hospitals, health care facilities and housing, including exploring affordable home ownership models, the formation of strategic partnerships and the creation of alternative corporate entities;
- c) Options for the procurement of hospitals, health care facilities and housing capital and non-capital expenditures;
- d) Financial matters, including alternative sources of capital, relating to hospitals, health care facilities and housing;
- e) Real estate matters relating to hospitals and housing.

The following committees will report through the Hospitals and Housing Committee:

- a) Housing Action Team; and
- b) Any other advisory body established by the Committee.

**2.0 ESTABLISHMENT AND AUTHORITY**

- a) The Committee will make recommendations to the CRD Board and the Capital Regional Hospital District Board, as applicable, for consideration; and
- b) The CRD Board Chair will appoint the Committee Chair, Vice Chair and committee members on an annual basis.

**3.0 COMPOSITION**

- a) The Chair of the Capital Regional Housing Corporation, if a CRD Director, should be a member of the Committee.
- b) All Board members are permitted to participate in standing committee meetings, but not vote, where an item of local significance is on the agenda (Board resolution Nov. 12, 2014).

**4.0 PROCEDURES**

- a) The Committee shall meet on a bi-monthly basis and have special meetings at the call of the Chair;
- b) The agenda will be finalized in consultation between staff and the Committee Chair and any committee member may make a request to the Chair to place a matter on the agenda;
- c) With the approval of the Committee Chair and the CRD Board Chair (or Capital Regional Hospital District Board Chair, as applicable), committee matters of an urgent or time sensitive nature may be forwarded directly to the Board for consideration;
- d) A quorum is a majority of the committee membership and is required to conduct committee business;
- e) The Committee may invite members from any Standing Committee to participate in its meetings in accordance with the CRD Procedures Bylaw.

**5.0 RESOURCES AND SUPPORT**

- a) The General Manager of Planning and Protective Services and the Chief Financial Officer will act as liaisons to the Committee;
- b) Minutes and agendas are prepared and distributed by the Legislative and Information Services Department.

Approved by the Hospitals and Housing Committee on \_\_\_\_\_, 2018  
Approved by CRD Board on \_\_\_\_\_, 2018



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

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**SUBJECT**     **Capital Regional District Housing Action Team Membership 2018**

**ISSUE**

This report provides a recommendation to amend the Terms of Reference and to approve the list of participants to sit on the Capital Regional District's (CRD) Housing Action Team (HAT) for 2018.

**BACKGROUND**

In 2007, the CRD developed the Regional Housing Affordability Strategy (RHAS) as a priority under the Regional Growth Strategy (RGS) 2003. At that time, the Housing Affordability Partnership (HAP) was created to help support the implementation of the RHAS. Over the years, the partnership has evolved into the HAT. A copy of the current Terms of Reference for the HAT is presented in Appendix A.

HAT membership is drawn from local municipalities, the building and development sector, real estate and financial sectors, other orders of government and non-profit housing agencies and foundations. HAT meets on a bi-monthly basis and its role is to help foster the development of affordable housing in the region, explore partnerships in development and advise the CRD on matters related to housing policy, planning and programs.

In addition to its usual activities, in 2017, the HAT has acted as the Advisory Committee for the renewal and update of the RHAS. The CRD has hired a consulting team that has been working on the project throughout the year. The draft of the updated RHAS is nearing completion and is expected to be presented to the Hospitals and Housing Committee at its meeting on April 25, 2018. The project included significant engagement with key stakeholders from regional municipalities and electoral areas, other levels of government, industry, non-profit housing providers and community groups.

The RGS mandates sustained action by the CRD to address housing issues, with particular attention to affordability. A renewed RHAS will identify key housing priorities for the CRD, align the various initiatives currently underway, outline potential new strategic action and provide a foundation for reporting on the CRD's progress toward achieving objectives related to housing and homelessness in the region.

The Terms of Reference require that membership of the HAT be recommended by the General Manager, Planning and Protective Services for final approval each year at a meeting of the Hospitals and Housing Committee. The current Terms of Reference document restricts the number of representatives by sector and staff is requesting amendments in order to provide the opportunity for greater flexibility and inclusiveness with respect to membership. This will allow the continuation of the current membership, which now has the potential to include staff representation from four municipalities in the region.

This year, staff are recommending the continuation of all 2017 members to lend consistency to the advisory support being provided to the RHAS update project. The proposed slate of candidates for membership on the HAT is presented in Appendix B. Each has been contacted and has expressed an interest in participating.

## **ALTERNATIVES**

### *Alternative 1*

- a) That the Terms of Reference as presented in Appendix A be approved; and
- b) That the slate of candidates for the 2018 Housing Action Team as presented in Appendix B be approved.

### *Alternative 2*

That the report be referred back to staff with alternative direction by the committee.

## **IMPLICATIONS**

### **Social Implications**

The work of the HAT helps facilitate engagement among key housing stakeholders that are responsible for improving housing affordability for demographic groups that face hardship within the region's current housing market.

### **Intergovernmental Implications**

It is important that the HAT include representatives from the Canada Mortgage and Housing Corporation, BC Housing and, where possible, regional municipalities and/or electoral areas. This provides the opportunity to coordinate the CRD's housing programs and services within the policy and program frameworks of these other levels of government. It also provides the opportunity for the CRD to support positive working relationships among government agencies, housing industry, non-profit housing providers and community organizations.

## **RECOMMENDATION**

- a) That the Terms of Reference as presented in Appendix A be approved; and
- b) That the slate of candidates for the 2018 Housing Action Team as presented in Appendix B be approved.

Submitted by:	John Reilly, MSW RSW, Manager Housing Planning and Programs
Concurrence:	Christine Culham, Senior Manager Regional Housing
Concurrence:	Kevin Lorette, P.Eng., MBA, General Manager Planning & Protective Services

JR:gd

Attachments: Appendix A – Housing Action Team Terms of Reference  
Appendix B – CRD Housing Action Team – 2018 Proposed Membership List

# Terms of Reference

The logo for the Capital Regional District (CRD), consisting of the letters 'CRD' in a stylized, bold font.

## HOUSING ACTION TEAM

### PREAMBLE

The Capital Regional District (CRD) Housing Action Team is an advisory committee established by the Regional Housing Division to advise the CRD with respect to CRD housing planning, policies and programs.

The Committee's official name is to be:

CRD Housing Action Team

### 1.0 PURPOSE

- a) To act as a catalyst and initiator of development, retention and acquisition of housing that is affordable for those households in the region with low or moderate household incomes as prescribed in the Regional Housing Affordability Strategy. (As approved on March 23/07 by the CRD Board of Directors.)
- b) To establish a working table whereby government and community funders, private developers, municipalities and community housing stakeholders can discuss partnerships that have the capacity to initiate the development of additional affordable housing within the private and non-profit housing sectors.
- c) To ensure that the major housing stakeholders have an opportunity to assist in advising CRD Board and its member municipalities on the capital development aspects.
- d) To make recommendations to the major government and community funding partners and CRD Regional Housing on the capital funding aspects, those projects that should be endorsed for funding and community support.
- e) To make recommendations to the CRD and member municipalities on housing policies and programs that will assist in reducing the Regional households in core need.
- f) To review at each meeting the most current Regional Housing Development Report for purposes of facilitating and monitoring progress of affordable housing in the region.

### 2.0 ESTABLISHMENT AND AUTHORITY

Membership of the Housing Action Team will be recommended by the General Manager, Planning and Protective Services for final approval each year at a meeting of the Hospitals and Housing Committee.

The convening Chair and Vice Chair of the Housing Action Team will be selected on an annual basis at the January meeting of the Housing Action Team.



### **3.0 COMPOSITION**

The Housing Action Team may include membership of:

#### Housing Funders

- Canada Mortgage and Housing Corporation
- BC Housing (from Development Services or local administration office)
- Vancouver Island Health Authority
- United Way
- BC Real Estate Foundation
- Regional Housing Trust Fund
- City of Victoria Housing Fund
- Aboriginal Community

#### Housing Stakeholders;

- Private development community
- CRD Municipalities
- Real Estate Sector
- Community Service Organization
- Homelessness Service Sector
- Business Sector

### **4.0 PROCEDURES**

The Committee shall meet on a bi-monthly basis and have special meetings at the call of the Chair.

Any directions and decisions requiring a vote will be done by assigning each member one vote.

A quorum of the Housing Action Team is a majority of the representatives appointed from time to time.

Representatives of the Housing Action Team shall serve without remuneration.

If required, a vacancy arising from any cause other than the expiration of the term for which the member was appointed, shall be filled through appointment by the sitting members of the Housing Action Team.

At the request of a Committee member, and with the consent of the Committee Chair, guests or delegations may be invited to attend and participate in the meeting.

### **5.0 RESOURCES AND SUPPORT**

The Manager of Housing Planning, Policy and Programs will provide strategic support and act as a liaison.

Minutes and agendas are prepared and distributed by the Regional Housing Division.

The Regional Housing Division will provide additional administrative support as required.

## Capital Regional District Housing Action Team Membership List - 2018

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