



Notice of Meeting and Meeting Agenda Hospitals and Housing Committee

Wednesday, January 6, 2021

1:30 PM

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

L. Helps (Chair), D. Screech (Vice Chair), D. Blackwell, S. Brice, F. Haynes, G. Holman,
J. Loveday, K. Murdoch, G. Orr, C. Plant (Board Chair, ex-officio)

The Capital Regional District strives to be a place where inclusion is paramount and all people are treated with dignity. We pledge to make our meetings a place where all feel welcome and respected.

1. Territorial Acknowledgement

2. Approval of Agenda

3. Adoption of Minutes

- 3.1. [21-025](#) Minutes of the December 02, 2020 Hospitals and Housing Committee Meeting

Recommendation: That the minutes of the Hospitals and Housing Committee meeting of December 02, 2020 be adopted as circulated.

Attachments: [Minutes - December 02, 2020](#)

4. Chair's Remarks

5. Presentations/Delegations

In keeping with directives from the Province of BC, this meeting will be held by Live Webcast without the public present.

To participate electronically, complete the online application for "Addressing the Board" on our website. Alternatively, you may email the CRD Board at crdboard@crd.bc.ca.

- 5.1. [21-011](#) Capital Region Housing Corporation & Capital Regional Hospital District Audit Planning Presentation (Verbal), Lenora Lee, Lead Audit Engagement Partner, KPMG
- 5.2. [21-041](#) Delegation - Kathy Gillis; Resident of Victoria: Re: Agenda Item 6.4.: Summit Noise Concerns Update
- 5.3. [21-040](#) Delegation - Laura Taylor; Resident of Victoria: Re: Agenda Item 6.4.: Summit Noise Concerns Update
- 5.4. [21-042](#) Delegation - Joanne Newell; Resident of Victoria: Re: Agenda Item 6.4.: Summit Noise Concerns Update

6. Committee Business**6.1. [21-017](#) 2021 Hospitals and Housing Committee Terms of Reference**

Recommendation: That the Hospitals and Housing Committee receive the 2021 Terms of Reference attached as Appendix A.

Attachments: [Staff Report: 2021 Hospitals & Housing Cttee Terms of Reference](#)
 [Appendix A: 2021 Hospitals & Housing Cttee Terms of Reference](#)

6.2. [21-010](#) Capital Regional Hospital District 2020 Audit Planning Discussion

Recommendation: The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:
That the Capital Regional Hospital District 2020 Audit Plan developed by KPMG be approved.

Attachments: [Staff Report: 2020 CRHD Audit Planning Discussion](#)
 [Appendix A: CRHD 2020 Audit Planning Report, KPMG](#)

6.3. [21-009](#) Capital Region Housing Corporation 2020 Audit Planning Discussion

Recommendation: The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:
That the Capital Region Housing Corporation 2020 Audit Plan developed by KPMG be approved.

Attachments: [Staff Report: CRHC 2020 Audit Planning Discussion](#)
 [Appendix A: CRHC 2020 Audit Planning Report - KPMG](#)

6.4. [21-012](#) Summit Noise Concerns Update

Recommendation: The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:
That the Chief Administrative Officer be authorized to approve up to \$30,000 in expenditures related to resolving noise concerns at the Summit.

Attachments: [Staff Report: Summit Noise Concerns Update](#)

6.5. [21-019](#) Previous Minutes of Other CRD Committees and Commissions for Information

Recommendation: That the following minutes be received for information:
a) Regional Housing Advisory Committee minutes - September 24, 2020

Attachments: [Minutes: Reg'l Housing Advisory Cttee - September 24, 2020](#)

7. Notice(s) of Motion**8. New Business****9. Motion to Close**

9.1. [21-028](#) Motion to Close the Meeting

- Recommendation:**
1. That the meeting be closed for Land Acquisition in accordance with Section 90(1)(e) of the Community Charter.
 2. That such disclosures could reasonably be expected to harm the interests of the Regional District. [2 items]
 3. That the meeting be closed for Appointments in accordance with Section 90(1)(a) of the Community Charter. [1 item]

10. Adjournment

Next Meeting: February 03, 2021

To ensure quorum, please advise Tamara Pillipow (tpillipow@crd.bc.ca) if you or your alternate cannot attend.

Meeting Minutes

Hospitals and Housing Committee

Wednesday, December 2, 2020

1:30 PM

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

PRESENT

Directors: L. Helps (Chair), K. Murdoch (Vice Chair)(EP), D. Blackwell, S. Brice, G. Holman, C. McNeil-Smith (EP), D. Screech, L. Seaton, K. Williams, C. Plant (Board Chair, ex-officio)(EP)

Staff: R. Lapham, Chief Administrative Officer; N. Chan, Chief Financial Officer; K. Lorette, General Manager, Planning and Protective Services; M. Barnes, Senior Manager, Health and Capital Planning Strategies; D. Elliott, Senior Manager, Regional Housing; N. Morbey, Senior Financial Advisor, Financial Services; R. Fowles, Manager, Regional Housing First Program, Regional Housing; S. Grigg, Manager of Operations, Regional Housing; M. Lagoa, Acting Deputy Corporate Officer; T. Pillipow, Committee Clerk (Recorder)

EP - Electronic Participation

Regrets: Director(s) F. Haynes, R. Martin

The meeting was called to order at 1:31 pm.

1. Territorial Acknowledgement

Chair Helps provided a Territorial Acknowledgement.

2. Approval of Agenda

**MOVED by Director Williams, SECONDED by Director Seaton,
That the agenda for the December 2, 2020 Hospitals and Housing Committee
meeting be approved.
CARRIED**

3. Adoption of Minutes

3.1. [20-775](#)

Minutes of the November 4, 2020 Hospitals and Housing Committee Meeting

**MOVED by Director Brice, SECONDED by Director Murdoch,
That the minutes of the Hospitals and Housing Committee meeting of November
4, 2020 be adopted as circulated.
CARRIED**

4. Chair's Remarks

The Chair remarked that it has been an incredible and extraordinary year on the housing front. She noted that there is much more work to be done in the coming year.

5. Presentations/Delegations

There were no presentations or delegations.

6. Committee Business

6.1. [20-768](#) Oak Bay Lodge Redevelopment Update

K. Lorette spoke to Item 6.1.

Discussion ensued on the time frame for Island Health to provide a list of potential health services for this site.

**MOVED by Director Blackwell, SECONDED by Director Screech,
The Hospitals and Housing Committee recommends to the Capital Regional
Hospital District Board:**

**That the Oak Bay Lodge Redevelopment Update Report be received for
information.**

CARRIED

6.2. [20-734](#) Revenue Anticipation Resolution for Current Capital Regional Hospital District Operating Expenditures

**MOVED by Director Screech, SECONDED by Director Blackwell,
The Hospitals and Housing Committee recommends to the Capital Regional
Hospital District Board:**

**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

6.3. [20-770](#) 2021 Portfolio Operating Budgets

K. Lorette spoke to Item 6.3.

Discussion ensued on the following:

- options available to the board in using operating surpluses for reinvestment or reducing rents
- holding a strategic planning session in 2021 for the Capital Region Housing Corporation
- current unit vacancies at the Millstream, West Park, and Spencer Close buildings
- staff providing monthly updates, in addition to the quarterly updates, on the new buildings if something needs to be addressed
- tenant engagement management fees

**MOVED by Director Screech, SECONDED by Director Williams,
The Hospitals and Housing Committee recommends to the Capital Region
Housing Corporation Board:**

- a) That the 2021 Operating Budget for the Umbrella Operating Agreement be approved;
- b) That the 2021 Operating Budget for the No Operating Agreement be approved;
- c) That the 2021 Operating Budget for the Independent Living BC Agreement be approved;
- d) That the 2021 Operating Budget for the Regional Housing First Program Agreement (Millstream Ridge and Spencer) be approved;
- e) That the 2021 Operating Budget for the Investment in Housing Innovation be approved; and
- f) That any 2020 operating surplus/(deficits) to be transferred to/(from) the appropriate Portfolio Stabilization Reserves be authorized.

CARRIED

6.4. [20-769](#) 2021 Administration and Development Services Budgets

K. Lorette spoke to Item 6.4.

**MOVED by Director Screech, SECONDED by Director Williams,
The Hospitals and Housing Committee recommends to the Capital Region
Housing Corporation Board:**

- a) That the Capital Region Housing Corporation 2021 Administration Budget be approved; and
- b) That the Capital Region Housing Corporation 2021 Development Services Budget be approved.

CARRIED

6.5. [20-771](#) Five Year Updated Routine Capital Plans (2020-2024)

K. Lorette spoke to Item 6.5.

Discussion ensued on the following:

- assessment of greenhouse gas emissions that come from our portfolios
- installing renewable energy in our new buildings

**MOVED by Director Seaton, SECONDED by Director Screech,
The Hospitals and Housing Committee recommends to the Capital Region
Housing Corporation Board:**

1. a) That the Capital Region Housing Corporation Umbrella Operating Agreement (UOA) Five Year Updated Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the UOA 2021 routine capital plan.
2. a) That the No Operating Agreement Portfolio Five Year Updated Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the No Operating Agreement Portfolio 2021 routine capital plan year.
3. a) That the Independent Living BC (ILBC) Operating Agreement (Parry Place) Five Year Updated Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the ILBC Operating Agreement (Parry Place) 2021 routine capital plan year.
4. a) That the Investing in Housing Initiatives (IHI) Operating Agreement Five Year Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the IHI Operating Agreement 2021 routine capital plan year.
5. a) That the Regional Housing First Program (RHFP) Operating Agreement Five Year Updated Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the RHFP Operating Agreement 2021 routine capital plan year.

CARRIED

6.6. [20-772](#) Major Capital Plan (2021-2025)

K. Lorette spoke to Item 6.6.

Discussion ensued on the Rapid Housing Initiative funding.

**MOVED by Director Blackwell, SECONDED by Director Screech,
The Hospital and Housing Committee recommends to the Capital Region Housing
Corporation (CRHC) Board:**

- a) That the 2021-2025 Major Capital Plan be approved; and
- b) That staff be authorized to submit grant funding applications for two CRHC Redevelopment projects, two CRHC Renewal Projects and two New Projects through Canada Mortgage and Housing Corporation, BC Housing Management Commission, Federation of Canadian Municipalities and other funding programs as necessary and as they become available.

CARRIED

- 6.7. [20-774](#) Correspondence: Greater Victoria Women's Shelter Society, 23 November 2020, re: Capital Region Housing Corporation (CRHC) Policy Change

K. Lorette spoke to Item 6.7.

MOVED by Director Blackwell, **SECONDED** by Director Murdoch,
The Hospital and Housing Committee recommends to the Capital Region Housing Corporation (CRHC) Board:

That the amended applicant eligibility policy 2.10 be implemented effective June 1, 2021.

CARRIED

7. Notice(s) of Motion

There were no Notice(s) of Motion.

8. New Business

There was no new business.

9. Adjournment

MOVED by Director Brice, **SECONDED** by Director Blackwell,
That the December 02, 2020 meeting of the Hospitals and Housing Committee be adjourned at 2:14 pm.

CARRIED

Chair

Recorder

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, JANUARY 06, 2021**

SUBJECT **2021 Hospitals and Housing Committee Terms of Reference**

ISSUE SUMMARY

This report is to provide the 2021 Terms of Reference for the Committee's review.

BACKGROUND

Under the *Local Government Act* and the CRD Board Procedures Bylaw, the CRD Board Chair has the authority to establish Standing Committees and appoint members to provide advice and recommendations to the Board.

On December 9, 2020, the Regional Board approved the 2021 Standing Committee Terms of Reference. Terms of Reference (TOR) serve to clarify the mandate, responsibilities and procedures of standing committees and provide a point of reference and guidance for the committees and members.

This year there were no changes to the defined purpose of the Committee's TOR. Minor housekeeping changes were made to the pro-forma provisions of the TOR, including updates to the language under committee composition to clarify that all Board Members can attend all committees, but not vote unless a member; and, clarification to the provision regarding creation of the committee agenda, to reinforce that Board Members may raise items for the agenda through the notice of motion process.

The TOR are being provided for review by the committee. Any proposed revisions to the TOR will require ratification by the Board.

CONCLUSION

Terms of Reference serve to clarify the mandate, responsibilities and procedures of committees and provide a point of reference and guidance for the committees and their members.

RECOMMENDATION

That the Hospitals and Housing Committee receive the 2021 Terms of Reference attached as Appendix A.

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

ATTACHMENT

Appendix A: 2021 Hospitals and Housing Committee Terms of Reference

Terms of Reference

The logo for the Capital Regional District (CRD) is located in the top right corner of the header. It consists of the letters "CRD" in a stylized, bold, sans-serif font, positioned above a series of three curved, overlapping lines that suggest a landscape or water.

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 CRD, Capital Regional Hospital District (CRHD) and Capital Region Housing Corporation (CRHC) boards on matters relating to hospitals and housing, and community health.

The Committee's official name is to be:

Hospitals and Housing Committee

1.0 PURPOSE

- a) The mandate of the Committee includes providing advice or making recommendations, or both, to the CRD, CRHD, and CRHC Boards regarding the following region-wide functions:
 - i. Land Banking and Housing
 - ii. CRHC
 - iii. CRHD
 - iv. Community health planning, regulations and enforcement
 - v. Implementation of various housing affordability models, the potential formation of strategic partnerships and the creation of alternative corporate entities
 - vi. Options for the procurement of health care facilities and housing developments and
 - vii. Real estate matters relating to health care facilities and housing
- b) The following committees will report through the Hospitals and Housing Committee:
 - i. Regional Housing Advisory Committee
 - ii. Tenant Advisory Committee
 - iii. Any other advisory body established by the Committee.

2.0 ESTABLISHMENT AND AUTHORITY

- a) The Committee will make recommendations to the CRD Board, the CRHD Board, and the CRHC Board, as applicable, for consideration; and
- b) The CRD Board Chair will appoint the Committee Chair, Vice Chair and Committee members annually.

3.0 COMPOSITION

- a) Committee members will be appointed CRD Board Members and should include the Chair of the CRHC and the Chair of the CRHD Board.
- b) All Board members are permitted to participate in standing committee meetings, but not vote, in accordance with the CRD Procedures Bylaw.

4.0 PROCEDURES

- a) The Committee shall meet on a monthly basis, except August, and have special meetings as required;
- 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 through the Notice of Motion process;
- c) With the approval of the Committee Chair and the CRD Board Chair (or CRHC Board Chair, or CRHD Board Chair, as applicable), Committee matters of an urgent or time sensitive nature may be forwarded directly to the appropriate Board for consideration; and
- d) A quorum is a majority of the Committee membership and is required to conduct Committee business.

5.0 RESOURCES AND SUPPORT

- a) The General Manager of Planning and Protective Services will act as liaison to the Committee;
- b) Minutes and agendas are prepared and distributed by the Corporate Services Department.

Approved by CRD Board December 9, 2020

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, JANUARY 06, 2021**

SUBJECT **Capital Regional Hospital District 2020 Audit Planning Discussion**

ISSUE SUMMARY

This report provides information to the Hospitals and Housing Committee (the Committee) on the 2020 Audit Plan and related work to be completed by KPMG for the 2020 year-end audit of the Capital Regional Hospital District (CRHD).

BACKGROUND

Under Section 17 of the *Hospital District Act* the auditor of the CRD are also considered the auditors of the CRHD and under Section 377 of the *Local Government Act*, the CRD Board is required to appoint an auditor licensed under the *Business Corporations Act*. KPMG was appointed by the CRD Board for the upcoming audit.

Consistent with the approach from previous years, the auditors circulate the audit plan to the Committee for information prior to the start of the audit. KPMG will make a presentation to the Committee to review the 2020 annual Audit Planning Report (Appendix A), as a fundamental component of the CRHD's annual financial statement audit. This standard audit procedure is similarly undertaken by other local governments in the region.

The presentation will provide the Committee with an overview of the audit strategy and approach that KPMG will use in addressing any significant risks. The audit plan is designed to identify and address key financial reporting risks, including fraud, by evaluating the existence, quality and effectiveness of management'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 revenue and 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 Committee meeting, KPMG will obtain the Committee's views on the risk of fraud for the CRHD.

KPMG will present to the Committee an overview of the audit cycle, timetable and specific areas that the audit will focus on including: Summit at Quadra rental property, acquisition of Oak Bay Lodge, impairment of assets, cash and investments, tangible capital assets, liabilities for contaminated sites, accounts payable and accrued liabilities, debt, revenue and expenses, and any financial reporting impacts or disclosures related to COVID-19. 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 Hospital District 2020 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 audit field work remotely on March 1, 2021, for approximately one week. 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 CRHD staff. As part of the audit process, the auditors will provide the CRHD with a detailed Audit Findings Report. The finalized financial statements will be presented to the Hospitals and Housing Committee along with the Audit Findings Report.

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 Public Sector Accounting Standards. As part of the annual audit, KPMG provides an audit plan to the Committee. The auditors will conduct their audit of the 2020 financial statements pursuant to this plan.

RECOMMENDATION

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

That the Capital Regional Hospital District 2020 Audit Plan developed by KPMG be approved.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kevin Lorette, P. Eng., MBA, Acting Chief Administrative Officer

ATTACHMENT(S)

Appendix A: KPMG CRHD 2020 Audit Planning Report



Capital Regional Hospital District

Audit Planning Report
for the year ended December 31, 2020

Prepared for the Hospitals and Housing Committee's meeting on January 6, 2021

kpmg.ca/audit



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The contacts at KPMG in connection with this report are:

Lenora Lee
Engagement Partner
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Gillian Grant
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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

Areas of focus for financial reporting

Our audit of the Capital Regional Hospital District (the “Entity” or “CRHD”) is risk-focused. In planning our audit we have taken into account key areas of focus for financial reporting. These include:

- Financial reporting considerations of COVID-19
- Presumed fraud risk of management override of controls

See pages 3-7.

Effective communication

We are committed to transparent and thorough reporting of issues to management and the Board of Directors. This is achieved through formal and informal meetings and communications throughout the year. If you have any comments you would like to bring to our attention, please contact Lenora Lee.

Audit materiality

Materiality has been determined based on total revenues. We have determined materiality to be \$700,000 (2019 - \$700,000).

See page 4.

Quality control and independence

We are independent and have a robust and consistent system of quality control. We provide complete transparency on all services and follow the Board of Directors’ approved protocols where required.

See page 8.

New auditing standards

A new auditing standard, CAS 540 Auditing Accounting Estimates and Related Disclosures, is effective for CRHD’s 2020 fiscal year.

See page 10 for further details.

Current developments

Please refer to Appendix 3 for the current developments updates, including COVID-19 resources.

Audit and financial reporting impacts of COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. As the COVID-19 pandemic evolves, CRHD will need to continue to assess the impact on its operations and finances and consider the implications on financial reporting. We have analyzed the impact of the COVID-19 pandemic situation on the audit of the financial statements for the year ended December 31, 2020 and discussed the audit and financial reporting implications with management based on what has occurred to the date of this report.

We provide the following information for the review of the Board of Directors and describe the additional procedures that we will be performing. As the COVID-19 pandemic is a dynamic situation, we will continue to update our Audit Plan as the situation warrants. We will communicate any additional changes to our Audit Plan to the Board of Directors in our Audit Findings Report.

Considerations	Audit implications
Conducting the audit work	<ul style="list-style-type: none">– We plan to undertake a primarily remote audit this year. We have established a secure ShareFile platform to facilitate the sharing of information with management. We have discussed the details of the audit with management, and we are ready to undertake the audit as planned and on schedule.
General considerations	<ul style="list-style-type: none">– We will obtain an understanding of what changes to process activities and controls have been implemented to determine if the planned audit procedures are appropriate. We have conducted preliminary discussions with management and will confirm our understanding of any significant changes by performing walkthroughs of transactions.
Planning and risk assessment	<ul style="list-style-type: none">– We have determined materiality based on prior year actual total revenues.– We do not anticipate the operational impacts of COVID to be evident in many areas of CRHD's financial statements
Financial reporting	<ul style="list-style-type: none">– Currently, we expect that COVID-19 will continue to impact CRHD's operations and finances beyond December 31, 2020.– An assessment should be made by management of any COVID-19 financial implications. Significant actions undertaken by CRHD should be disclosed in a note to the financial statements, including a statement as to whether or not these factors present uncertainty over future cash flows, cause significant changes to assets and liabilities, and/or significantly impact future operations. Measurement of the estimated financial effect should be disclosed, or it should be stated if the effect is not determinable.– We will work with management to customize the wording of the COVID related disclosures for CRHD's specific situation.– Refer to our COVID-19 Financial Reporting site.

Materiality

Materiality is used to identify risks of material misstatements, develop an appropriate audit response to such risks, 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.

Materiality determination	Comments	Amount
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 \$700,000.	\$700,000
Benchmark	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 \$38.1 million.	\$38.6 million
% of Benchmark	The prescribed range is between 0.5% and 3.0% of the benchmark. The corresponding percentage for the prior year's audit was 1.80%.	1.81%
Audit misstatement posting threshold	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the prior year's audit was \$35,000.	\$35,000

We will report to the Board of Directors:



Corrected audit misstatements



Uncorrected audit misstatements

Audit risks

Professional standards presume the risk of fraudulent revenue recognition and the risk of management override of controls exist in all entities.

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.

Significant financial reporting risk	Why is it significant?
Fraud risk from revenue recognition	This is a presumed fraud risk. The risk of fraud from revenue recognition has been rebutted.
Fraud risk from management override of controls.	<p>This is a presumed fraud risk. There are no 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>

Professional standards require that we obtain your view on the risk of fraud. We make similar inquiries to management as part of our planning process:

- 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 behavior 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 CRHD?
- How do you exercise effective oversight of management's processes for identifying and responding to the risk of fraud in CRHD and internal controls that management has established to mitigate these fraud risks?
- Has CRHD entered into any significant unusual transactions?

Areas of focus

Other areas of focus	Why are we focusing here?
Summit at Quadra	In February 2020, the 25 year lease with VIHA commenced and the CRHD began collecting lease income for the property. The wind up of the capital project and commencement of the lease agreement are considered significant activities in the 2020 fiscal year.

Our audit approach
<ul style="list-style-type: none">– We will review the Board meeting minutes and any related committees for this project.– We will obtain and review the contracts and agreements between the CRHD and VIHA and assess the accounting treatment of the terms and conditions.– We will assess management's accounting and disclosures for the transactions related to this project.

Areas of focus (continued)

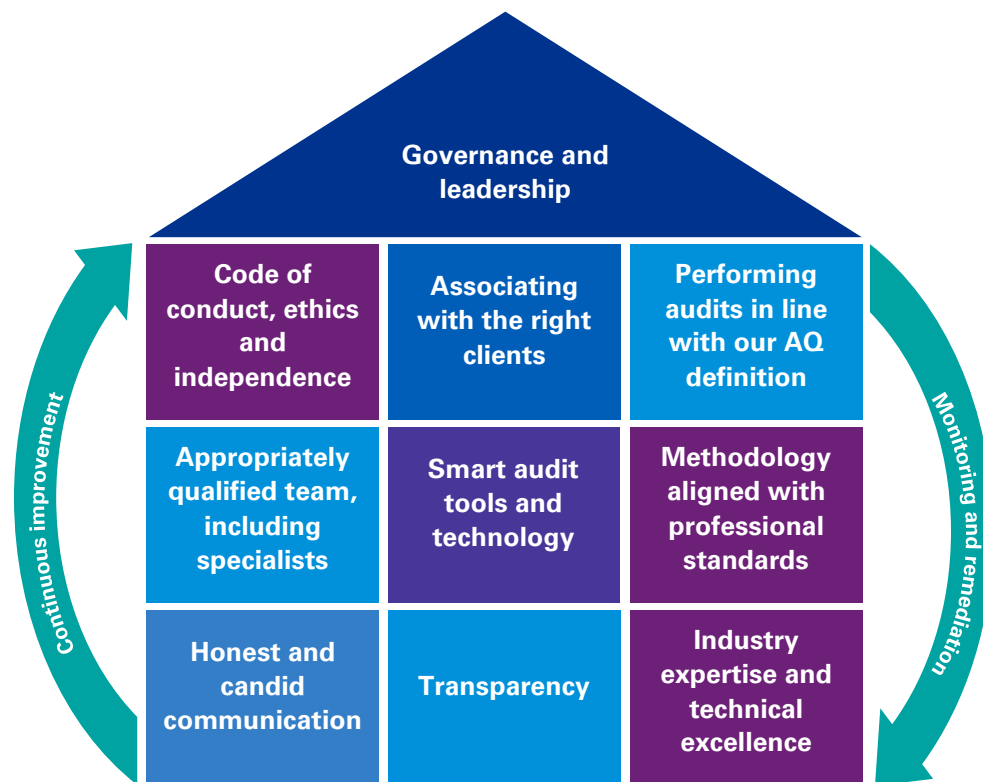
Other areas of focus	Why are we focusing here?
Oak Bay Lodge	In August 2020, Oak Bay Lodge was transferred from VIHA to CRHD. An external valuation is being prepared and environmental assessments being obtained for the land and buildings. The future use of the land and building is yet to be determined.

Our audit approach

- We will review the Board meeting minutes and any related committees for this transaction.
- We will review the external valuation and environment assessments of the land and building.
- We will discuss any measurement uncertainty with management and verify the accuracy of management's disclosed valuation. This will be conducted in accordance with the requirements in CAS 540, Auditing Accounting Estimates and Related Disclosures (see page 10).
- We will assess management's accounting and disclosures related to this transaction.

Audit quality and transparency

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 summarizes the key elements of our quality control system.



Audit Quality Framework

What do we mean by audit quality?

Audit Quality (AQ) is at the core of everything we do at KPMG.

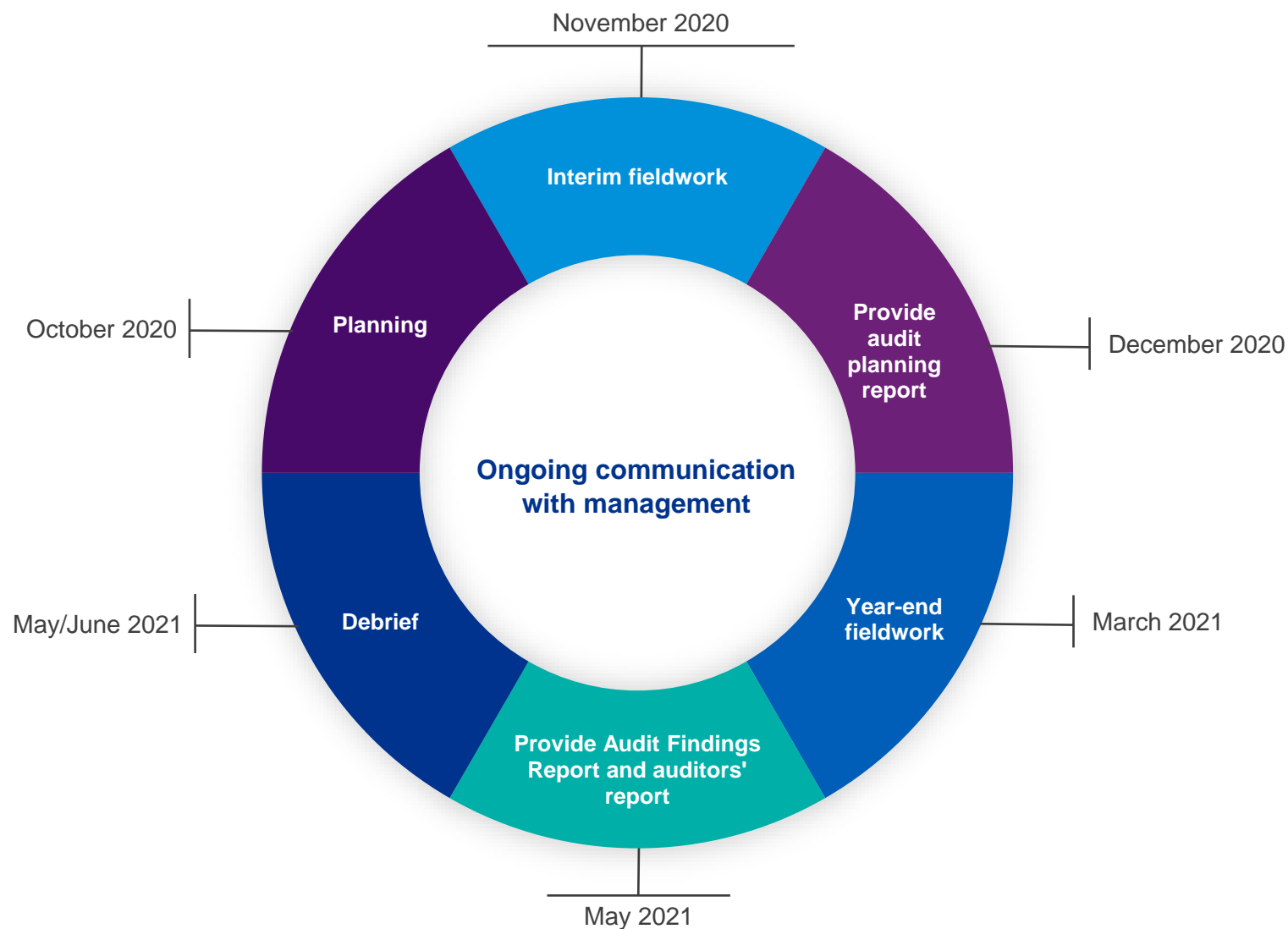
We believe that it is not just about reaching the right opinion, but how we reach that opinion.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls, and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.

Our AQ Framework summarises how we deliver AQ. Visit our [Audit Quality Resources page](#) for more information including access to our [Audit Quality and Transparency report](#).

Key deliverables and milestones



New audit standards

New auditing standards that are effective for the current year are as follows:

Standard	Key observations	Reference
CAS 540, Auditing Accounting Estimates and Related Disclosures Effective for audits of Entities with year-ends on or after December 15, 2020	Expected impact on the audit: <ul style="list-style-type: none">— more emphasis on the need for exercising professional skepticism— more granular risk assessment to address each of the components in an estimate (method, data, assumptions)— more granular audit response designed to specifically address each of the components in an estimate (method, data, assumptions)— more focus on how we respond to levels of estimation uncertainty— more emphasis on auditing disclosures related to accounting estimates— more detailed written representations required from management	CPA Canada Client Briefing

Appendices

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Appendix 1: Required communications

Appendix 2: KPMG's audit approach and methodology

Appendix 3: Current developments and audit trends



Appendix 1: Required communications

Auditors' report	Engagement letter
A copy of our draft auditors' report setting out the conclusion of our audit will be provided at the completion of the audit.	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.
Audit findings report	Management representation letter
At the completion of the audit, we will provide our findings report to the Board of Directors.	We will obtain from management certain representations at the completion of the audit. In accordance with professional standards, a copy of the representation letter will be provided to the Board of Directors.
Independence	Internal control deficiencies
At the completion of our audit, we will re-confirm our independence to the Board of Directors.	Control deficiencies identified during the audit will be communicated to management and the Board of Directors.

Appendix 2: KPMG's audit approach and methodology

Collaboration in the audit

A dedicated KPMG Audit home page gives you real-time access to information, insights and alerts from your engagement team.

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: Current developments and audit trends

Current Developments, created by the KPMG Public Sector and Not-for-Profit Practice, summarizes regulatory and governance matters impacting public sector entities today, or expected to impact them over the next few years. We provide this information to help public sector entities understand upcoming changes and challenges they may face in their industry. Some of these developments may not impact CRHD directly, but we believe it is important for the Board of Directors to understand what is happening in the sector.

New accounting standards

Standard	Summary and implications
Impact of COVID-19	<ul style="list-style-type: none">– In response to the impact of COVID-19 on public sector entities, PSAB has approved deferral of all upcoming accounting standards by one year and will issue non-authoritative guidance on the effects of COVID-19.
Asset Retirement Obligations	<ul style="list-style-type: none">– The new standard is effective for fiscal years beginning on or after April 1, 2022. The effective date was deferred by one year due to COVID-19.– 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.– 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.– As a result of the new standard, the public sector entity will have to:<ul style="list-style-type: none">• 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.

Appendix 3: Current developments and audit trends (continued)

Standard	Summary and implications
Revenue	<ul style="list-style-type: none"> – The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19. – The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. – The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. – 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.
Employee Future Benefit Obligations	<ul style="list-style-type: none"> – PSAB has initiated a review of sections PS3250 <i>Retirement Benefits</i> and PS3255 <i>Post-Employment Benefits, Compensated Absences and Termination Benefits</i>. In July 2020, PSAB approved a revised project plan. – PSAB intends to use principles from International Public Sector Accounting Standard 39 <i>Employee Benefits</i> as a starting point to develop the Canadian standard. – Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.

Appendix 3: Current developments and audit trends (continued)

Standard	Summary and implications
Public Private Partnerships (“P3”)	<ul style="list-style-type: none"> – PSAB has proposed new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. PSAB is in the process of reviewing feedback provided by stakeholders on the exposure draft. – 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. – 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. – 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. – The final standard is expected to be approved in 2020 with an issuance date of April 1, 2021 and an effective date of April 1, 2023.
International Strategy	<ul style="list-style-type: none"> – PSAB has reviewed all proposed options for its international strategy, and in accordance with its due process, approved the option to adapt International Public Sector Accounting Standards when developing future standards. PSAB noted that the decision will apply to all projects beginning on or after April 1, 2021. – An Exposure Draft to modify the GAAP Hierarchy was issued with responses due February 15, 2021.
Purchased Intangibles	<ul style="list-style-type: none"> – In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles. – PSAB approved the new Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS1000 to remove prohibition on recognition of intangibles purchased through exchange transactions and PS1201 to remove the requirement to disclose that purchased intangibles are not recognized. – The effective date is April 1, 2023 with early adoption allowed. Application may be retroactive or prospective.
Government Not-for-Profit Strategy	<ul style="list-style-type: none"> – PSAB is in the process of reviewing its strategy for government not-for-profit (“GNFP”) organizations. PSAB intends to understand GNFPs’ fiscal and regulatory environment, and stakeholders’ financial reporting needs and concerns. – PSAB is reviewing the feedback from the May 2019 consultation paper. A second consultation paper will be issued in January 2021 with comments due May 2021. PSAB will use the comments provided by stakeholders on the consultation papers to determine its next steps.

Appendix 3: Current developments and audit trends (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> – PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. – PSAB is in the process of developing exposure drafts for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. – PSAB is proposing 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. – In addition, PSAB is proposing: <ul style="list-style-type: none"> • 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. • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). • Restructuring the statement of financial position to present non-financial assets before liabilities. • 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). • A new provision whereby an entity can use an amended budget in certain circumstances. – Inclusion of disclosures related to risks and uncertainties that could affect the entity's financial position.

Appendix 3: Current developments and audit trends (continued)

Our discussions with you, our audit opinion and what KPMG is seeing in the marketplace - both from an audit and industry perspective - indicate the following is specific information that will be of particular interest to you. We would, of course, be happy to further discuss this information with you at your convenience.

Thought leadership

Thought leadership	Overview	Link
2019 Audit Quality and Transparency Report	Learn about KPMG's ongoing commitment to continuous audit quality improvement. We are investing in new innovative technologies and building strategic alliances with leading technology companies that will have a transformative impact on the auditing process and profession. How do we seek to make an impact on society through the work that we do?	Link to report
Put your data to work to gain competitive advantage	There is no "digital economy". The economy is digital and "digits" refer to data. Data is the lifeblood of every organization on this planet and organizations that embrace this notion are well positioned to grow as industries continue to evolve and disrupt at an ever increasing pace.	Link to report
Predictive analytics, it works	CEOs recognize the value that predictive analytics delivers to their decision-making process.	Link to report
Creating the workforce of the future	You can't transform the organization without also transforming the workforce. It may be time to rethink the people strategy.	Link to report
Accelerate	Introducing the new 2019/2020 Accelerate report, a KPMG report and video series offering insight into the key issues driving the Board of Directors agenda, including: <ul style="list-style-type: none">– Digital disruption of the finance function– Digital business brings increased cyber risk– Taking the lead on data privacy– Boards bracing for climate change– Future-proofing your enterprise risk management	Link to report
Board Leadership Centre	KPMG provides leading insights to help Board members maximize boardroom opportunities.	Link to site

Appendix 3: Current developments and audit trends (continued)

COVID-19 pandemic resources

Resources	Summary	Links
Resources for management and the Board of Directors	<p>Please visit our COVID-19 website for resources regarding the topics below. This site is being <u>updated daily</u> based on information being released by federal, provincial and municipal news releases.</p> <ul style="list-style-type: none">– Business continuity guide– Immediate actions to take– Medium to long-term actions– Tax considerations and a summary of federal and provincial programs– Legal considerations– Financial reporting and audit considerations– Global perspectives	COVID-19 Alerts (Live Link)
Return to the workplace	<p>As all levels of government begin to take steps toward re-opening the country and restarting our economy, planning for the return to a physical workplace is quickly becoming a top priority for many organizations. With the guidelines for the pandemic continuing to evolve daily, there are many considerations, stages and factors employers need to assess in order to properly develop a robust action plan which can ensure the health and safety of their workforce.</p> <p>We have put together a Return to the Workplace guide to support an organization's planning efforts in preparing to return to physical workplace. Our guide includes a list of considerations, stages and factors that can help establish a robust action plan for your organization to safely return to work. The guide is supported by a dynamic playbook, which our team has developed to outline a comprehensive list of actions an organization can take, based on their unique situation and immediate needs.</p>	Website link Link to guide

kpmg.ca/audit



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KPMG member firms around the world have 174,000 professionals, in 155 countries.

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**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, JANUARY 06, 2021**

SUBJECT **Capital Region Housing Corporation 2020 Audit Planning Discussion**

ISSUE SUMMARY

This report provides information to the Hospitals and Housing Committee (the Committee) on the 2020 Audit Plan and related work to be completed by KPMG for the 2020 year-end audit of the Capital Region Housing Corporation (CRHC).

BACKGROUND

As a local government controlled entity, the CRHC is required by the Inspector of Municipalities to appoint an auditor pursuant to its articles of incorporation and the *Business Corporations Act*. KPMG was appointed by the CRHC Board for the upcoming audit.

Consistent with the approach from previous years, the auditors circulate the audit plan to the Committee for information prior to the start of the audit. KPMG will make a presentation to the Committee to review the 2020 annual Audit Planning Report (Appendix A), as a fundamental component of the CRHC's annual financial statement audit. This standard audit procedure is similarly undertaken by other local governments in the region.

The presentation will provide the Committee with an overview of the audit strategy and approach that KPMG will use in addressing any significant risks. The audit plan is designed to identify and address key financial reporting risks, including fraud, by evaluating the existence, quality and effectiveness of management'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 revenue and 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 Committee meeting, KPMG will obtain the Committee's views on the risk of fraud for the CRHC.

KPMG will present to the Committee an overview of the audit cycle, timetable and specific areas that the audit will focus on, including: Regional Housing First Program, impairment of assets, cash and investments, tangible capital assets, accounts payable and accrued liabilities, debt, revenue and expenses, and any financial reporting impacts or disclosures related to COVID-19. KPMG will provide the basis of audit materiality they deem necessary to evaluate any misstatements they identify during the audit.

ALTERNATIVES

Alternative 1

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

That the Capital Region Housing Corporation 2020 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 audit field work remotely on February 22, 2021, for approximately one week. 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 CRHC staff. As part of the audit process, the auditors will provide the CRHC with a detailed Audit Findings Report. The finalized financial statements will be presented to the Hospitals and Housing Committee along with the Audit Findings Report.

CONCLUSION

KPMG's primary objective of the Financial Statement audit is to present an opinion on the extent to which the CRHC's consolidated financial statements are fairly presented, in accordance with the Public Sector Accounting Standards. As part of the annual audit, KPMG provides an audit plan to the Committee. The auditors will conduct their audit of the 2020 financial statements pursuant to this plan.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

That the Capital Region Housing Corporation 2020 Audit Plan developed by KPMG be approved.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S)

Appendix A: KPMG CRHC 2020 Audit Planning Report



Capital Region Housing Corporation

Audit Planning Report
for the year ended December 31, 2020

KPMG LLP

Prepared for the Hospitals and Housing Committee's meeting on January 6, 2021

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

Areas of focus for financial reporting

Our audit of the Capital Region Housing Corporation (the “Entity” or “CRHC”) is risk-focused. In planning our audit we have taken into account key areas of focus for financial reporting. These include:

- Financial reporting considerations of COVID-19
- Presumed fraud risk of management override of controls

See pages 3-6.

Effective communication

We are committed to transparent and thorough reporting of issues to management and the Board of Directors. This is achieved through formal and informal meetings and communications throughout the year. If you have any comments you would like to bring to our attention, please contact Lenora Lee.

Audit materiality

Materiality has been determined based on budgeted total revenues. We have determined materiality to be \$450,000 (2019 - \$450,000).

See page 4.

Quality control and independence

We are independent and have a robust and consistent system of quality control. We provide complete transparency on all services and follow the Board of Directors’ approved protocols where required.

See page 7.

New auditing standards

A new auditing standard, CAS 540 Auditing Accounting Estimates and Related Disclosures, is effective for CRHC’s 2020 fiscal year.

See page 9 for further details.

Current developments

Please refer to Appendix 3 for the current developments updates, including COVID-19 resources.

Audit and financial reporting impacts of COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. As the COVID-19 pandemic evolves, CRHC will need to continue to assess the impact on its operations and finances and consider the implications on financial reporting. We have analyzed the impact of the COVID-19 pandemic situation on the audit of the financial statements for the year ended December 31, 2020 and discussed the audit and financial reporting implications with management based on what has occurred to the date of this report.

We provide the following information for the review of the Board of Directors and describe the additional procedures that we will be performing. As the COVID-19 pandemic is a dynamic situation, we will continue to update our Audit Plan as the situation warrants. We will communicate any additional changes to our Audit Plan to the Board of Directors in our Audit Findings Report.

Considerations	Audit implications
Conducting the audit work	<ul style="list-style-type: none">– We plan to undertake a primarily remote audit this year. We have established a secure ShareFile platform to facilitate the sharing of information with management. We have discussed the details of the audit with management, and we are ready to undertake the audit as planned and on schedule.
General considerations	<ul style="list-style-type: none">– We will obtain an understanding of what changes to process activities and controls have been implemented to determine if the planned audit procedures are appropriate. We have conducted preliminary discussions with management and will confirm our understanding of any significant changes by performing walkthroughs of transactions.
Planning and risk assessment	<ul style="list-style-type: none">– We have determined materiality based on budgeted total revenues.– We anticipate the operational impacts of COVID to be evident in multiple areas of CRHC's financial statements. Where we have planned to perform analytical procedures we will adjust our expectations in line with known COVID impacts (ex. decreases in tenant rent contributions, increase in maintenance costs, etc.).
Financial reporting	<ul style="list-style-type: none">– Currently, we expect that COVID-19 will continue to impact CRHC's operations and finances beyond December 31, 2020.– An assessment should be made by management of any COVID-19 financial implications.– Significant actions undertaken by CRHC should be disclosed in a note to the financial statements, including a statement as to whether or not these factors present uncertainty over future cash flows, cause significant changes to assets and liabilities, and/or significantly impact future operations. Measurement of the estimated financial effect should be disclosed, or it should be stated if the effect is not determinable.– We will work with management to customize the wording of the COVID related disclosures for CRHC's specific situation.– Refer to our COVID-19 Financial Reporting site.

Materiality

Materiality is used to identify risks of material misstatements, develop an appropriate audit response to such risks, 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.

Materiality determination	Comments	Amount
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 \$450,000.	\$450,000
Benchmark	Based on budgeted total revenues. In previous years we have used prior year audited total revenues, however, to reflect growth and potential changes due to COVID-19, we have used budgeted total revenues this year. The prior year benchmark was based on 2018 audited total revenues of \$18.6 million.	\$20.4 million
% of Benchmark	The prescribed range is between 0.5% and 3.0% of the benchmark. The corresponding percentage for the prior year's audit was 2.40%.	2.20%
Audit misstatement posting threshold	Threshold used to accumulate misstatements identified during the audit. The corresponding amount for the prior year's audit was \$22,500.	\$22,500

We will report to the Board of Directors:



Corrected audit misstatements



Uncorrected audit misstatements

Audit risks

Professional standards presume the risk of fraudulent revenue recognition and the risk of management override of controls exist in all entities.

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.

Significant financial reporting risk	Why is it significant?
Fraud risk from revenue recognition	This is a presumed fraud risk. The risk of fraud from revenue recognition has been rebutted.
Fraud risk from management override of controls.	<p>This is a presumed fraud risk. There are no 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>

Professional standards require that we obtain your view on the risk of fraud. We make similar inquiries to management as part of our planning process:

- 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 behavior 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 CRHC?
- How do you exercise effective oversight of management's processes for identifying and responding to the risk of fraud in CRHC and internal controls that management has established to mitigate these fraud risks?
- Has CRHC entered into any significant unusual transactions?

Areas of focus

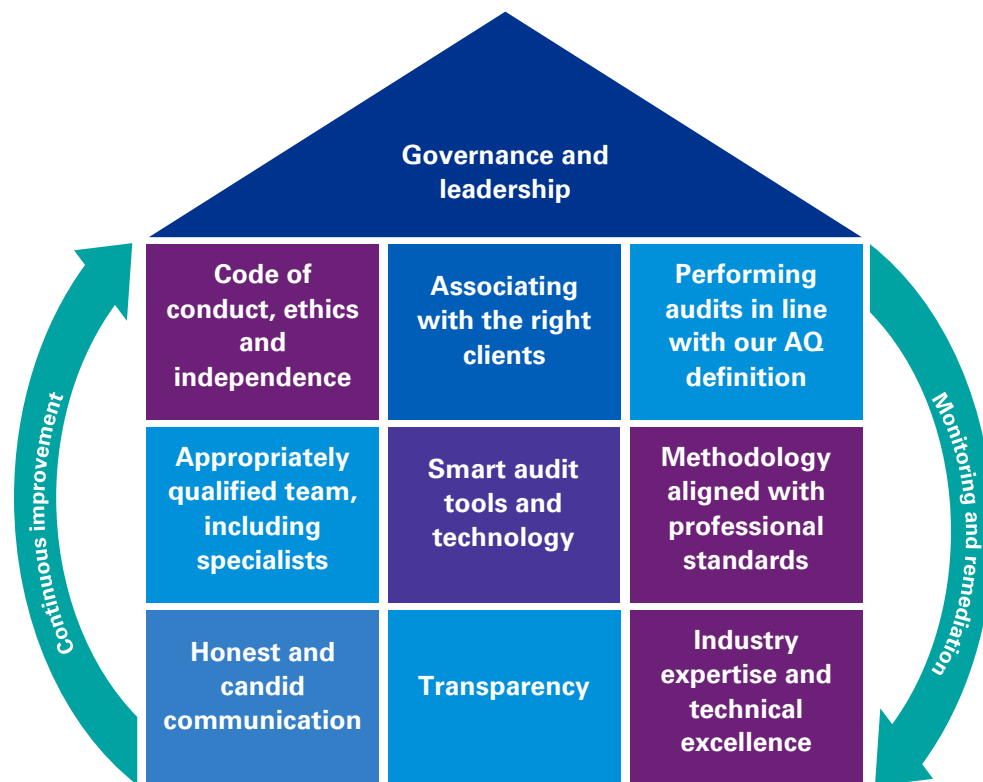
Other areas of focus	Why are we focusing here?
Regional Housing First Program	This was a new business model for CRHC in the prior period and involves significant funding, capital asset expenditure and new transactions between CRD and CRHC.

Our audit approach

- We will review the Board meeting minutes and any related committees for this program.
- We will obtain and review the contracts and agreements between CRD, CRHC, BC Housing and CMHC.
- Significant funding received and expenses incurred during 2020 will be compared to bank statements, contractual agreements and invoices.
- We will assess management's accounting and disclosures for the transactions related to the program.

Audit quality and transparency

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 summarizes the key elements of our quality control system.



Audit Quality Framework

What do we mean by audit quality?

Audit Quality (AQ) is at the core of everything we do at KPMG.

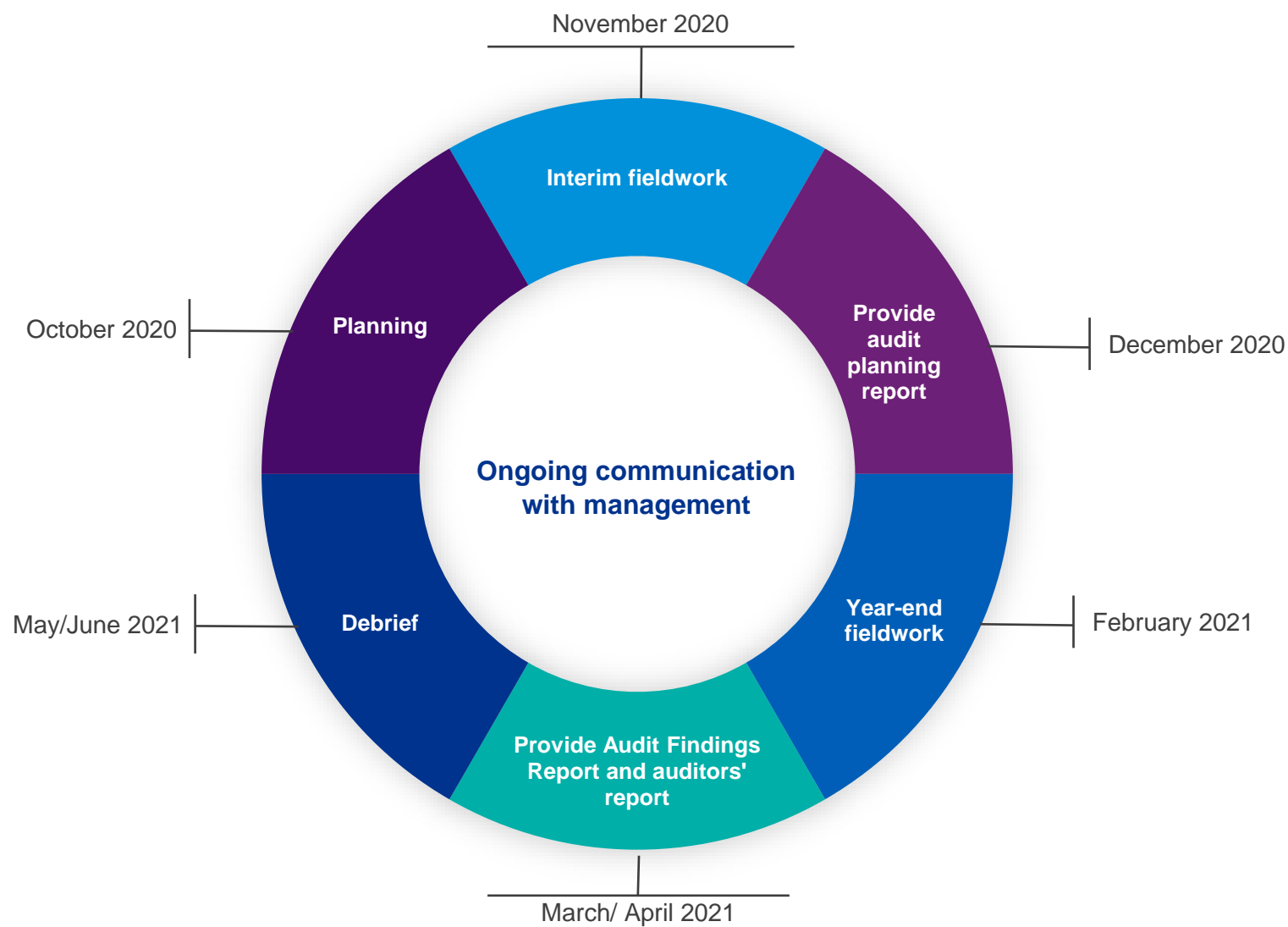
We believe that it is not just about reaching the right opinion, but how we reach that opinion.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls, and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.

Our AQ Framework summarises how we deliver AQ. Visit our [Audit Quality Resources page](#) for more information including access to our [Audit Quality and Transparency report](#).

Key deliverables and milestones



New audit standards

New auditing standards that are effective for the current year are as follows:

Standard	Key observations	Reference
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Appendix 3: Current developments and audit trends (continued)

Standard	Summary and implications
Revenue	<ul style="list-style-type: none"> – The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19. – The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. – The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. – 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.
Employee Future Benefit Obligations	<ul style="list-style-type: none"> – PSAB has initiated a review of sections PS3250 <i>Retirement Benefits</i> and PS3255 <i>Post-Employment Benefits, Compensated Absences and Termination Benefits</i>. In July 2020, PSAB approved a revised project plan. – PSAB intends to use principles from International Public Sector Accounting Standard 39 <i>Employee Benefits</i> as a starting point to develop the Canadian standard. – Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.

Appendix 3: Current developments and audit trends (continued)

Standard	Summary and implications
Public Private Partnerships (“P3”)	<ul style="list-style-type: none"> PSAB has proposed new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. PSAB is in the process of reviewing feedback provided by stakeholders on the exposure draft. 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. 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. 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. The final standard is expected to be approved in 2020 with an issuance date of April 1, 2021 and an effective date of April 1, 2023.
International Strategy	<ul style="list-style-type: none"> PSAB has reviewed all proposed options for its international strategy, and in accordance with its due process, approved the option to adapt International Public Sector Accounting Standards when developing future standards. PSAB noted that the decision will apply to all projects beginning on or after April 1, 2021. An Exposure Draft to modify the GAAP Hierarchy was issued with responses due February 15, 2021.
Purchased Intangibles	<ul style="list-style-type: none"> In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles. PSAB approved the new Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS1000 to remove prohibition on recognition of intangibles purchased through exchange transactions and PS1201 to remove the requirement to disclose that purchased intangibles are not recognized. The effective date is April 1, 2023 with early adoption allowed. Application may be retroactive or prospective.
Government Not-for-Profit Strategy	<ul style="list-style-type: none"> PSAB is in the process of reviewing its strategy for government not-for-profit (“GNFP”) organizations. PSAB intends to understand GNFPs’ fiscal and regulatory environment, and stakeholders’ financial reporting needs and concerns. PSAB is reviewing the feedback from the May 2019 consultation paper. A second consultation paper will be issued in January 2021 with comments due May 2021. PSAB will use the comments provided by stakeholders on the consultation papers to determine its next steps.

Appendix 3: Current developments and audit trends (continued)

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> – PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. – PSAB is in the process of developing exposure drafts for the proposed conceptual framework and proposed revised reporting model, and their related consequential amendments. – PSAB is proposing 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. – In addition, PSAB is proposing: <ul style="list-style-type: none"> • 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. • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). • Restructuring the statement of financial position to present non-financial assets before liabilities. • 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). • A new provision whereby an entity can use an amended budget in certain circumstances. – Inclusion of disclosures related to risks and uncertainties that could affect the entity's financial position.

Appendix 3: Current developments and audit trends (continued)

Our discussions with you, our audit opinion and what KPMG is seeing in the marketplace - both from an audit and industry perspective - indicate the following is specific information that will be of particular interest to you. We would, of course, be happy to further discuss this information with you at your convenience.

Thought leadership

Thought leadership	Overview	Link
2019 Audit Quality and Transparency Report	Learn about KPMG's ongoing commitment to continuous audit quality improvement. We are investing in new innovative technologies and building strategic alliances with leading technology companies that will have a transformative impact on the auditing process and profession. How do we seek to make an impact on society through the work that we do?	Link to report
Put your data to work to gain competitive advantage	There is no "digital economy". The economy is digital and "digits" refer to data. Data is the lifeblood of every organization on this planet and organizations that embrace this notion are well positioned to grow as industries continue to evolve and disrupt at an ever increasing pace.	Link to report
Predictive analytics, it works	CEOs recognize the value that predictive analytics delivers to their decision-making process.	Link to report
Creating the workforce of the future	You can't transform the organization without also transforming the workforce. It may be time to rethink the people strategy.	Link to report
Accelerate	Introducing the new 2019/2020 Accelerate report, a KPMG report and video series offering insight into the key issues driving the Board of Directors agenda, including: <ul style="list-style-type: none">– Digital disruption of the finance function– Digital business brings increased cyber risk– Taking the lead on data privacy– Boards bracing for climate change– Future-proofing your enterprise risk management	Link to report
Board Leadership Centre	KPMG provides leading insights to help Board members maximize boardroom opportunities.	Link to site

Appendix 3: Current developments and audit trends (continued)

COVID-19 pandemic resources

Resources	Summary	Links
Resources for management and the Board of Directors	<p>Please visit our COVID-19 website for resources regarding the topics below. This site is being <u>updated daily</u> based on information being released by federal, provincial and municipal news releases.</p> <ul style="list-style-type: none">– Business continuity guide– Immediate actions to take– Medium to long-term actions– Tax considerations and a summary of federal and provincial programs– Legal considerations– Financial reporting and audit considerations– Global perspectives	COVID-19 Alerts (Live Link)
Return to the workplace	<p>As all levels of government begin to take steps toward re-opening the country and restarting our economy, planning for the return to a physical workplace is quickly becoming a top priority for many organizations. With the guidelines for the pandemic continuing to evolve daily, there are many considerations, stages and factors employers need to assess in order to properly develop a robust action plan which can ensure the health and safety of their workforce.</p> <p>We have put together a Return to the Workplace guide to support an organization's planning efforts in preparing to return to physical workplace. Our guide includes a list of considerations, stages and factors that can help establish a robust action plan for your organization to safely return to work. The guide is supported by a dynamic playbook, which our team has developed to outline a comprehensive list of actions an organization can take, based on their unique situation and immediate needs.</p>	Website link Link to guide

kpmg.ca/audit



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**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, JANUARY 06, 2021**

SUBJECT **Summit Noise Concerns Update**

ISSUE SUMMARY

Noise concerns from surrounding neighborhood at the Summit.

BACKGROUND

In August 2020, the Capital Regional District Board began receiving noise complaints for the Summit, located at 955 Hillside Avenue. The Summit is leased to Island Health for 25 years and has been operating since February 1, 2020 and tenanted since July 12, 2020. When the Summit was designed an acoustics consultant was hired to provide reports to align the design of mechanical systems to meet the Victoria Noise Bylaw. The rooftop screens that surround the air handling units, for example, were designed collaboratively between the acoustics consultant, mechanical engineer, and suppliers based on this report. In an effort to address the noise concerns staff have undertaken the following process and steps.

On September 1, 2020 the Capital Regional Hospital District (CRHD) engaged an Acoustical Specialist at RWDI Consulting Engineers (previously Wakefield Acoustics). The engineer is familiar with the 955 Hillside Avenue site, having completed pre-construction noise measurements at three adjacent properties in June 2016. Based on the pre-construction noise measurements, and the City of Victoria Noise Bylaw limits Wakefield/RWDI provided mechanical equipment noise control recommendations in 2018 and 2019.

CRHD testing was completed by RWDI on September 17, 2020. Measurements were conducted at midnight to remove as much traffic noise as possible. RWDI reported that preliminary results confirm that at 50% load, noise levels are below that required by the City of Victoria bylaw. The equipment was operated to produce a continuous noise, this being the most accurate way to establish noise levels. Table 2 from the report shows the results of noise measurements at four locations.

Table 2: HVAC Noise Measurement Results

Site	Address	Post-Project Measurements (September 2020)		Pre-Project Measurements (June 2016)	Noise Bylaw Limits (dBA)	
		Nighttime L ₉₀ (dBA)	Tonal noise?	Nighttime L ₉₀ (dBA)	Day	Night
1	920 Hillside Avenue	47	Yes	38	55 ^[1]	50 ^[1]
2	2670 Dowler Place	42	Yes	34	55 ^[1]	50 ^[1]
3	2560 Wark Street	40	No	37	60	50
4	1100 Vista Heights	36	No	^[2]	60	50

Table Notes:

[1] 5 dBA tonality penalty applied.

[2] Background measurements at Site 4 were not taken back in June 2016.

Table 2 shows that:

- HVAC noise levels are below the Noise Bylaw limits

RWDI also noted a tone at location #2, possibly due to the variable frequency speed drives of the air-handling units. RWDI believes that it is possible to eliminate or reduce the severity of this through adjustment of the operating conditions of the variable frequency speed drives.

On September 20, 2020 a City of Victoria Bylaw Enforcement Officer conducted testing at the Summit in response to the noise complaints they received. The results found AHU #9 was 60.4 dba, AHU #10 was 60.9 dba (see Appendix A for dba reading and associated noise) on the roof of the building beside the air handling units. The Bylaw Enforcement Officer concluded the Summit was not in violation of the noise bylaw.

In addition the City of Victoria Bylaw also states:

Bylaw No. 03-12 (13f) also states the bylaw does not apply to:

“a sound or noise resulting from the use, in a reasonable manner, of the premises of a Community Care Facility duly licensed under the *Community Care Facility Act*, or from the use of a similar institution”.

CRHD engaged Trane Canada-West to service and reprogram the variable frequency speed drives to address the tone noted by RWDI at location #2 on October 22, 2020.

On site, they confirmed that sound blankets had been installed around the air handling units during the construction phase and that the units were operating at optimal efficiency and installed as per manufacturer's recommendations. CHRD staff directed Trane to

report back additional recommendations to further decrease the noise being produced. Trane has recommended installation of a sound attenuator kit on the largest chiller compressor. The cost of this work is estimated at \$22,000 plus GST. If approved, delivery and installation will take approximately 10 weeks from ordering.

After consultation with other industry consultants, Trane has advised that once the sound attenuator kit has been installed CRHD will have undertaken all noise reduction measures available to it so no further action can be undertaken by CRHD.

ALTERNATIVES

Alternative 1

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

That the Chief Administrative Officer be authorized to approve up to \$30,000 in expenditures related to resolving noise concerns at the Summit.

Alternative 2

That the Summit Noise Concerns Update report be sent back to staff for further information based on Hospitals and Housing Committee direction.

IMPLICATIONS

Community Implications

CRHD staff have had several meetings with community representatives and Island Health and have been on site and the surrounding neighborhood on half a dozen occasions investigating the concerns and communicating with the residents. CRHD staff presented to the Hillside Neighborhood Association Committee on December 14, 2020.

Financial Implications

The cost of the sound attenuator kit is approximately \$22,000 plus 5% GST (including installation fees), plus a contingency of \$8,000. This cost is considered necessary to the project and will be funded by residual project funds.

CONCLUSION

In response to the Summit Noise concerns from the surrounding neighborhood CRHD staff have undertaken decibel testing, ensured optimal efficiency of roof top equipment, conducted tonal adjustments, and believe that installation of a sound attenuation kit will make the rooftop equipment as quiet as possible.

RECOMMENDATION

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

That the Chief Administrative Officer be authorized to approve up to \$30,000 in expenditures related to resolving noise concerns at the Summit.

Submitted by:	Michael Barnes, MPP, Senior Manager, Health and Capital Planning Strategies
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer



Making a difference...together

Minutes of a Meeting of the Regional Housing Advisory Committee

September 24, 2020, 2:00 - 4:00 pm, Microsoft Teams

PRESENT: Kerriann Coady, David Corey, Lindsay Millburn, Bruce Anderson, Bill Brown, Sharon Hvozdzanski, Jim Hartshorne, Kelly Roth, Kathy Whitcher, Danella Parks, Danielle Deni, Leah Stohmann, Michel Turcotte

GUESTS:

STAFF: Kevin Lorette, John Reilly, Jerry Michael (recorder)

REGRETS: Jarret Matanowitsch, Sharon Hvozdzanski, Kaye Melliship, Matthew Baldwin (Alternate attended), Malcolm McNaughton

Meeting called to order at 2:02pm.

1. Welcome and Introductions

Meeting was called to order at 2:03pm. Co-Chair Kerrian Coady welcomed all RHAC members after a pause in meetings due to COVID-19.

2. Approval of Agenda

MOVED by David Corey, **SECONDED** by Kelly Roth.

That the agenda be approved as circulated.

CARRIED

3. Approval of February 13, 2020 Minutes

MOVED by David Corey, **SECONDED** by Bruce Anderson.

That the minutes from the February 13, 2020 Regional Housing Advisory Committee meeting be approved as circulated.

CARRIED

4. Roundtable – Summary of RHAC Member Priorities

- Concerns expressed about effects of COVID-19 on exacerbating an already precarious housing situation in the region.
- Initiatives were shared around prevention of further homelessness, and some of the response from different levels of government and partners.
- Committee members shared some of the regional and economic pressures being faced in development and construction.

5. Business Arising

CRD staff are approaching Malcolm McNaughton to bring bonding issue to District Planning Advisory Committee to look at this from a policy perspective.

6. Presentations for Discussion

Definition of Affordability presentation provided by John Reilly sharing income levels published by BC Housing.

Innovations to address impacts of COVID-19 on Development Approvals by Kerriann Coady

- CRD Staff shared findings from surveying DPAC group, innovations included online or electronic meetings, delegation of authority to hold public hearings to expedite process, or waving of requirement of public hearing.
- Hope is municipalities will continue doing meetings online for equity.

RHAC Priorities in a rapidly changing environment

- Suggested coordinated information system/ source for what is going on in the region to address homelessness with the CRD playing a role.

7. Next Meeting December 10, 2020 from 2:00-4:00pm

8. Adjournment

MOVED by Kelly Roth, **SECONDED** by Lindsay Millburn.

That the meeting be adjourned.

CARRIED

The meeting was adjourned at 3:53 pm.